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FINANCIAL TIMES

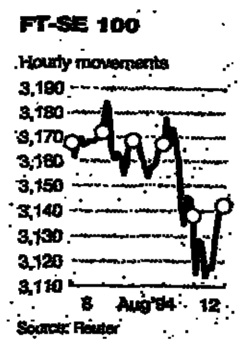
Europe's Business Newspaper — WEEKEND AUGUST 13/AUGUST 14 1994 — D8523A

Clinton to 'fight and fight' after crime bill defeat

US president Bill Clinton promised to "fight and fight and fight" as the White House and the Democratic leadership in Congress tried to regroup after their devastating defeat in the House of Representatives on the crime bill. The vote dealt an immediate blow to Mr Clinton's healthcare reforms when House leaders decided to delay indefinitely debate on the health bill, which faced a difficult passage. Page 2

Unilever claims washing powder success: Unilever said it increased its share of the British and French washing powder markets despite the "soap wars" over its newly-launched Persil/Omo Power detergent. Page 10

Footsie rallies after favourable US data



The UK stock market staged a recovery yesterday afternoon as a rally in bond prices followed the announcement of satisfactory US consumer price statistics. Early trading had seen the FT-SE 100 Index down by more than 27 points, but there was little sign of the selling pressure feared in the wake of Thursday's interest rate rises in Europe. At the close, the Footsie was 4.1 up on the day at 3,142.3. The index fell 25.2 over the week, with almost all the loss coming in the wake of rate increases in Sweden and Italy. London stocks, Page 15; Lex, Page 24

Metallgesellschaft warns on issue: Shares in Metallgesellschaft dropped sharply after it issued a warning on the risks for shareholders in a DM1.4bn ($890m) capital raising issue which is central to its survival plans. Page 11

US and North Korea consider agreement: The US and North Korea are considering a draft agreement that would include a transfer of western nuclear technology in return for a freezing of North Korea's nuclear programme, suspected to include weapons development. Page 24

MAM punishes parent SG Warburg: Mercury Asset Management has punished its parent company, SG Warburg, for the way Warburg managed Enterprise Oil's failed bid for Lasmo. For a month MAM reduced the business in UK share trading that it gave Warburg to the minimum required by law. Page 24

Britain and US to develop jump jet: The UK and US are to co-operate on a new generation of jump jet that could replace not only the Harrier but also other conventional naval attack aircraft. Page 7

Second ferry line to stop animal exports: Brittany Ferries is to stop exporting animals for slaughter on its routes from the UK to France and Spain because it considers European Union standards of animal welfare inadequate. P&O is to stop animal exports from October unless standards improve. Page 7

Navy to continue boarding policy: The Royal Navy said it would continue to board British trawlers in the Bay of Biscay tuna fishing grounds to check their nets to ease tension with foreign vessels. Page 5

Health reforms 'damage cancer research': UK National Health Service reforms are damaging cancer research by rewarding hospitals for success in treatment rather than research, according to a survey. Page 7

Japan's airlines face fight over wage cuts: Japan's transport ministry is in dispute with the country's airlines over their plans to ease their losses by hiring most new flight attendants at sharply lower wage levels. Page 4

Howden expands in South Africa: Scottish-based engineering company Howden Group has expanded its South African operations with the acquisition of Donkin Manufacturing and a number of associated companies for £4.6m ($7.13m) cash. Page 10

Sally Gunnell wins 400-metres hurdles: Sally Gunnell of the UK won the 400-metres hurdles final at the European athletics championships in Helsinki in 53.33 secs, the fastest time so far this year. She already holds the Olympic, world and Commonwealth titles for the event.

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Managers may seek swift end to dispute with direct appeal to signalling workers

Railtrack prepares to bypass union

By Robert Taylor, Labour Correspondent

Railtrack is finalising a strategy aimed at encouraging signalling staff to defy their union's strike calls and bring a swift end to the nine-week dispute.

Management at the state-owned group is preparing to approach workers individually and offer a substantial pay rise in return for accepting flexible working practices.

The move came at the beginning of five days of disruption on the rail network. Yesterday's one-day strike will be followed by stoppages on Monday and Tuesday. Another 24-hour strike is due from noon on Monday August 22.

Mr David Armstrong, Railtrack's industrial relations director, said yesterday: "The prospect of getting the RMT to make an agreement with us while the signalling staff are still on strike is very slim indeed. Only when the union leadership are given a clear message that the men want the strikes to end will they return to the bargaining table."

Mr Armstrong said he was reluctantly preparing an alternative strategy to negotiating with the RMT which would involve putting the restructuring and pay rise package to each individual signal worker for approval.

Timetable for route out of an impasse..........Page 7

He would not be pressed on when the company would make such a step, but said he thought time was "running out fast".

A similar strategy was adopted by British Rail in 1991 when, after failing to secure the RMT's backing for a restructuring package for its signalling and telecom engineers, BR went over the heads of the union and signed up 80 per cent of the workforce before the union finally agreed to accept the deal.

Mr Armstrong said he was encouraged by the responses Railtrack had been receiving from signalling staff on the company's telephone "hotlines". He said: "A significant number of workers want restructuring. Some would like to take our package."

Railtrack was not trying to precipitate a showdown with its signalling workers, Mr Armstrong said. If they went on strike again they would not be sacked and replaced. "We don't want 4,500 unemployed signal staff. We want them all back at work."

In 1981, President Reagan was able to fire striking civil air traffic controllers because he could call on trained military air traffic controllers to take over.

Such action was not possible on the British railway network, Mr Armstrong said. It would take from eight to 13 weeks to train new signal staff and in that time most of the network would have to be shut down.

However, he said there was no shortage of recruits willing to become signal workers. "We had two vacancies in the north-east recently and had over 2,000 applications," he said.

"So much for the low pay and poor conditions of signal workers," he added.

Railtrack will spend about £100,000 this weekend on full-page national newspaper advertisements to make a direct appeal for public support in the dispute.

The expense was immediately criticised by Mr Jimmy Knapp, rail union leader, as "a huge waste of money which would be better utilised trying to solve the dispute".

Earlier, Mr Knapp said that there was no need for a fresh ballot of signal workers and accused Railtrack managers of "sitting back in their bunker".

Russia aids ailing industries with cheap £1.4bn loan

By Chrystia Freeland in Moscow

President Boris Yeltsin has granted Rbs3,500bn (about £1.4bn) in low interest loans to aid Russian industry, raising doubts about the government's ability to confront loss-making enterprises and to keep spending limits agreed with the International Monetary Fund earlier this year.

A decree issued late on Thursday just before Mr Yeltsin left on a tour of the Volga region says the funds are to be divided between the defence sector and "investments" in heavy industry.

The ambiguously worded decree instructs the central bank to issue government credits at one quarter of the prime lending rate.

"It is very disconcerting", an official from a western financial institution said yesterday. IMF economists are examining the decree, which western analysts fear will be the first of many in a continuing but futile attempt to bail out ailing companies.

About Rbs200bn is to be loaned to the defence sector and Rbs400bn is earmarked for industrial investment in the third quarter of 1994. An additional Rbs900bn is to be loaned by the government to the defence industry and Rbs2,000bn is to be loaned for investment in the fourth quarter of this year.

The low interest loans are the Russian government's most decisive step to date in tackling the mounting corporate debts which threaten to overwhelm the Russian economy. But it remains unclear whether the government will be prepared to tackle the loss-making factories by allowing them to fail.

Mr Oleg Soskovets, deputy prime minister and head of a special commission established last week to deal with the inter-enterprise debt issue, yesterday estimated the crippling debt burden at Rbs87,800bn.

"The question of inter-enterprise debt cannot be solved through the issue of credit," Mr Soskovets said. However, he said "we should, of course, make an exception for defence industries".

Debts have mounted as companies have failed to pay suppliers,

Continued on Page 24

Cash boost: John Paul Getty II (inset) and the Three Graces. He does not want the statue to go to the US

Getty II pledges £1m to keep Graces in UK

By Antony Thorncroft

John Paul Getty II, son of the late American oil billionaire, yesterday pledged £1m to the appeal to keep Canova's statue of the Three Graces in the UK – and prevent its sale to the Californian art museum founded by his father.

On Tuesday Mr Stephen Dorrell, the heritage secretary, agreed to delay for another three months the granting of an export licence to the Getty Museum, which has offered £7.6m for the statue, to enable British galleries and museums to match that sum.

An appeal, led by the Victoria & Albert Museum and the National Galleries of Scotland, had reached £5.8m and Mr Getty's £1m makes it much more likely that the Three Graces will stay in Britain.

Mr Timothy Clifford, the director of the National Galleries of Scotland, said National Gallery trustees and staff were "dancing with joy. I'm sure even the Graces are now wreathed in smiles".

Elizabeth Esteve-Coll, director of the V & A said: "It gives huge impetus to the campaign and will hearten all those who wish to see this marvellous work retained in this country."

If the campaign is successful, it will not be the first time John Paul Getty II, a committed Anglophile who did not get on with his father, has contributed to appeals to keep works of art in the UK and out of the Getty Museum. He was instrumental in retaining a painting by Duccio in 1984 and a bust by Bernini in 1986.

By the Grace of Getty, Wknd XII

Canada acts to liquidate fourth biggest insurer

By Bernard Simon in Toronto and Alison Smith in London

Canadian government regulators are to wind up the country's fourth biggest insurance company. They took control of Confederation Life Insurance, which had corporate assets of C$19bn (£9bn) at the end of 1993, after the failure of protracted efforts to put together a bail-out package.

Confed has 250,000 policyholders in the UK. Its British arm includes one of the biggest providers of pooled pension products to medium-sized companies, and Confederation Bank, which offers residential mortgage loans and deposit accounts.

The Canadian government said it moved in the interests of policyholders, creditors and depositors, based on information that Confed's assets were not sufficient to provide "adequate protection". The 123-year-old mutual company is the latest victim of the slump in North American property markets.

Confed's collapse is likely to accelerate the shake-up in Canada's overcrowded insurance market where margins have been squeezed by fierce competition.

The company's offices in Canada and the UK will remain open for the time being. Canadian policyholders and depositors are partly covered by the insurance industry's consumer-protection fund, but are nonetheless expected to suffer losses.

The UK arm said yesterday that it was conducting "business as usual". Confed disclosed earlier this week that it was in talks to sell the UK operations to an unidentified financial services group. The negotiations have been taken over by the Canadian regulators and are expected to be concluded shortly.

Canada's superintendent of financial institutions took control of Confed late on Thursday. It will seek a court order to wind it up and liquidate its assets.

The Canadian Life and Health Insurance Compensation Corporation, the industry's protection fund, said Confed would continue to pay death claims and retirement and disability benefits to Canadian policyholders. However, these will be subject to specified ceilings.

Toronto-based Confed had sought an alliance for the past year with Great-West Life Assurance.

Continued on Page 24
Axa buys in Canada, Page 11
UK policyholders, Weekend IV

STOCK MARKET INDICES

FT-SE 100:	3,142.3	(+4.1)
Yield	4.00	
FT-SE Eurotrack 100	1,352.3	(-23.70)
FT-SE-A All-Share	1,577.78	(+0.1%)
Nikkei	20,663.83	(-157.53)
New York: lunchtime		
Dow Jones Ind Ave	3,767.41	(+16.51)
S&P Composite	461.56	(+2.68)

LONDON MONEY

3-mo Interbank	5$\frac{11}{16}$%	(same)
Liffe long gilt fut:	Sep 100$\frac{11}{32}$	(Sep100$\frac{13}{32}$)

US LUNCHTIME RATES

Federal Funds:	4$\frac{5}{16}$%
3-mo Treas Bills: Yld	4.448%
Long Bond	100$\frac{3}{32}$
Yield	7.478%

NORTH SEA OIL (Argus)

Brent 15-day (Aug)	$17.17	(17.655)

GOLD

New York Comex Aug	$376.2	(384.0)
London	$377.5	(377.2)

STERLING

New York lunchtime:		
$	1.5445	
London:		
$	1.5467	(1.5328)
DM	2.4061	(2.4328)
FFr	8.256	(8.3307)
SFr	2.0204	(2.0495)
Y	154.65	(154.984)
£ Index	79.1	(79.4)

DOLLAR

New York lunchtime:		
DM	1.5555	
FFr	5.337	
SFr	1.3065	
Y	100.295	
London:		
DM	1.5557	(1.5872)
FFr	5.338	(5.4351)
SFr	1.3063	(1.3371)
Y	99.99	(101.115)
$ Index	63.1	(63.8)
Tokyo close Y 100.3		

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There's no question about the current potential of the Japanese stockmarket. Interest rates are at record lows and could decline still further. And falling corporate profits are generally suppressing share prices, creating a wealth of attractive investment opportunities.

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NEWS: INTERNATIONAL

Crime bill defeat will test durability of 'comeback kid'

President Bill Clinton must regroup quickly to minimise fallout after the devastating House vote, writes **George Graham**

President Bill Clinton promised to "fight and fight and fight until we win this battle for the American people" as the White House and the Democratic leadership in Congress tried to regroup yesterday after their devastating defeat in the House of Representatives on the crime bill.

But the vote dealt an immediate knock-on blow to Mr Clinton's most cherished objective of healthcare reform, when House leaders decided at a late night meeting to delay debate on the health bill – possibly into September.

Cabinet secretaries scattered after an emergency meeting yesterday morning for a lobbying blitz on Capitol Hill, while Mr Clinton himself flew to Minneapolis – accompanied by Republican and Democratic mayors – to rally support at a meeting of the National Association of Police Organisations.

"We are going out now – the cabinet, mayors of both parties, citizens of both parties all across this country – to say that this crime bill cannot die," Mr Clinton said as he boarded the presidential Boeing 747 on his way to Minneapolis.

Congressional leaders scrambled to negotiate changes to the crime bill, which includes measures such as gun control, more police and the "three strikes and out" rule imposing mandatory life sentences on repeat offenders.

The bill was blocked on Thursday evening as the Republican leadership and the gun lobby linked to defeat by 225 votes to 205 a procedural motion for debate to begin.But Mr Thomas Foley, Speaker of the House, predicted it would be brought back to the floor and win passage next week.

Nevertheless, Thursday's surprising setback – despite furious lobbying from the president – has already started to ripple wider.

Unless the White House can win back the initiative on both crime and healthcare in the next few weeks, Mr Clinton's entire presidency could become bogged down. If he cannot win in this Congress he is less likely to do so after November's congressional elections, when the Democrats seem certain to lose seats and could even lose their majorities in one or other chamber.

"We're at a turning point both in the administration and in the country," said Mr Robert Reich, labour secretary and an old friend of the president.

No one expects a healthcare reform bill to pass by more than a handful of votes, but members will be less inclined to stick their necks out on a difficult vote for the president after his defeat on crime.

Until now Mr Clinton and his allies could always say he had pulled off crucial votes such as his budget last year, or the North American Free Trade Agreement. Now, however, the label of loser will be harder to shed.

Abroad, Mr Clinton has still not extricated himself from the complications of Haiti, Bosnia, Cuba and Rwanda. Any of these could blow up in the weeks ahead.

Nor does the vote bode well for the promise of a more disciplined and focused White House under the new chief of staff, Mr Leon Panetta, whose long experience as a member of Congress was expected to help the administration on Capitol Hill.

Congress already faces a crowded agenda before it goes home for November's elections, in which the entire House and one third of the Senate must face the voters. Other bills are now likely to be simply pushed off the calendar, while even crime and health legislation could simply run out of time.

This is scarcely auspicious for Democratic members of Congress, many of whom are already seeking to distance themselves from Mr Clinton. Now they will have no crime bill to wave in front of their constituents, and they must face the charge that, despite a majority in both houses of Congress, they are unable to deliver.

The vote is not without peril for the Republicans, however, some of whom are nervous at the prospect of returning to their districts to face criticism for having blocked the anti-crime legislation. At the same time, Republicans risk being viewed as obstructionists and agents of gridlock.

Mr Reich said yesterday that Mr Clinton was "as usual, resilient," while Ms Donna Shalala, secretary of health and human services, said the entire cabinet was "riled up and enthusiastic". Nevertheless, rebounding from this defeat will be hard, even though Mr Clinton loves to call himself "the comeback kid".

Berlusconi preaches optimism on TV

By Andrew Hill in Milan

Mr Silvio Berlusconi, Italy's prime minister, last night broadcast "a message of confidence" to the Italian people, at the end of a turbulent day on currency, bond and equity markets. "Things have never been so good," he insisted.

Mr Berlusconi flew back to Milan from his holiday home on Sardinia to record a series of television interviews in an attempt to calm fevered markets and dispel worries about his government. Even though Italy is well into the holiday period, and preparing for a long weekend, the government is under severe pressure from critics, both within and outside the coalition.

On Thursday, the Bank of Italy unexpectedly increased interest rates by half a point, to defend the currency. Analysts have also interpreted the rise as a strong hint from the central bank that the government should act soon to tackle the country's looming budget deficit.

The attempt to protect the lira appeared to have backfired yesterday, with the currency slipping to nearly L1,030 against the D-Mark.

At the beginning of the week, it had stood at less than L1,000 against the German currency.

Equity and bond markets were also hit hard by the rise in rates, the first increase since the September 1992 crisis of the European exchange rate mechanism. At one point Milan stocks had slipped by more than 5 per cent on the day, but the Comit index recovered to close at 644.43, down 3.7 per cent. Meanwhile, the yield on the 10-year benchmark bond rose to 11.73, up from 11.39 on Thursday. The markets are closed in Italy on Monday.

Confindustria, the Italian industry federation, was sharply critical of the Bank of Italy's move yesterday, warning that it "runs the risk on the one hand of failing to eliminate uncertainty on the markets, and on the other of feeding a negative spiral of rate rises".

The federation also urged politicians to quieten down: "The best contribution politicians can make... is to take a more or less well-deserved holiday, and refrain from giving interviews under the sun umbrella."

Mr Berlusconi himself encouraged controversy yesterday with the publication in the International Herald Tribune of an interview, conducted in the middle of the week, in which he admitted that executives of his Fininvest business paid bribes to tax officials.

However, he played down the scale and importance of the bribes, and claimed that he had no personal involvement in the affair.

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Milosevic stands by Bosnia blockade

Serbian leader hopes enforcing the boycott will bring an end to sanctions, writes **Laura Silber**

At first, it seemed another Machiavellian manoeuvre to hoodwink the international community. But a week into Belgrade's embargo against the self-styled Bosnian Serb state, President Slobodan Milosevic of Serbia appears to be carrying out his decision to isolate his former protégés over their rejection of the international peace plan.

In May 1993, when Bosnian Serb leaders spurned his efforts to promote the Vance-Owen peace plan, the embargo he threatened was forgotten within days of being announced.

However – at least for now – Belgrade's move seems genuine. Except for a handful of lorries, transport to Bosnian Serb-held land has ground to a halt. Financial transactions are blocked. Most telephone connections have been cut. The pliant state media no longer vilify the west for "unjust sanctions". Instead commentaries blame the war profiteering and bellicose politics of Bosnian Serb leaders for sanctions against Yugoslavia.

Mr Milosevic has not had it all his own way on the propaganda front. Pale, the Bosnian Serb stronghold, calls it betrayal – anathema to a population fed a steady diet of nationalism over the past three years of war.

And the Serbian Orthodox Church this week also accused Mr Milosevic of national treachery, swinging its support behind the Bosnian Serb leadership.

However, after more than a week of aggressive television propaganda, public opinion in the distorted political landscape of Serbia is now widely in favour of the plan which calls on Bosnian Serbs to concede a third of the 70 per cent of Bosnia they currently control. At the same time, surveys suggest that many Serbs who support the plan oppose the embargo against their Bosnian kith and kin.

Tired after three years of war in neighbouring Croatia and Bosnia, and more than two years of UN sanctions, Serbia has been surprisingly quick to embrace Mr Milosevic's turnaround in the hopes that peace will go hand-in-hand with economic recovery.

Mr Milosevic claims peace is "the single most important interest of the Serbian people".

The Serbian president over the past year paved the way for the final showdown with the Bosnian Serbs. To get rid of extremists in Serbia, he called early elections and unleashed a merciless smear campaign against his erstwhile ultra-nationalist ally, Mr Vojislav Seselj, a deputy and paramilitary leader.

He systematically purged nationalists from any position of power – the ruling Socialists, the police and the Yugoslav army. He has replaced nationalistic rhetoric with leftist nostalgia for former Yugoslavia. He had a hand in the well-placed "revelations" that Bosnian Serb leader Radovan Karadzic and his associates were involved in various criminal affairs, depriving Serb citizens of millions of dollars.

Mr Milosevic is now looking to the west in the expectation that his gamble to cut off the Bosnian Serbs will be rewarded with the easing of sanctions. In Serbia, hopes have been raised that any day now the UN embargo could end.

Meanwhile, western governments and Russia have not yet formulated their response to Mr Milosevic. They will most likely ask him to agree to the despatch of UN monitors along the border between Serbia and Bosnia. In return, they may offer the opening of the airport in Belgrade.

Mr Thorvald Stoltenberg, the UN mediator, yesterday met Mr Milosevic in Belgrade in an apparent attempt to persuade Serbia to back the dispatch of monitors to the 48 border crossings.

If Mr Milosevic continues the blockade, the Bosnian Serbs will have little choice but to endorse the peace plan.

Aides to Mr Milosevic predict that Mr Karadzic will not hold out for more than 10 days, claiming Bosnian Serb reserves are depleted.

Yet, despite their total isolation, Bosnian Serb leaders seem confident. The thought that the war is nearly over appears far from their minds.

Motorcyclists wait to cross from Bulgaria into Yugoslavia. Every day more than 3,000 cyclists wait six hours to cross the border and sell petrol from their tanks, at a profit of DM1 per litre *Reuter*

Investors count cost of diamond rush

Few winners left after Canadian prospecting frenzy, reports **Bernard Simon**

A shock has hit hundreds of investors on the Toronto and Vancouver stock exchanges in the past week. In just two days, more than half a billion dollars was wiped from the value of exploration companies which have been involved for three years in a diamond rush over an area almost as big as the UK in Canada's Northwest Territories.

The sell-off was triggered by an announcement from Kennecott, the US subsidiary of the UK mining group RTZ, that samples from one much-touted kimberlite pipe do not contain enough precious stones to justify further exploration.

The international mining community was caught off guard. Kennecott had carried out its tests in utmost secrecy at a gold mine near Yellowknife, the Northwest Territories' rough, boisterous mining centre. It refused even to share progress reports with its partners in the project. "We were absolutely dumbstruck," says Mr John Hainey, mining analyst at Canaccord Capital, a Toronto securities firm.

Kennecott's shell-shocked junior partners watched their share prices dive by as much as 85 per cent. Three of them – Dentonia Resources, Horseshoe Gold Mining and Kettle River Resources – were worth a combined C$178m (£83m) the day before Kennecott dropped its bombshell. Two days later, their market value had shrivelled to just C$30m. The three companies have called off a planned merger.

The Great Canadian Diamond Rush thus passes into history as another sobering reminder of how the merest whiff of riches under the ground can sweep entrepreneurs, hard-nosed analysts and gullible investors off their feet.

Any geologist will confirm that the chances of finding enough diamonds to justify more than one mine in a single area are never high. Diamonds are found in the greyish rock known as kimberlite. But only about one out of every 200 kimberlite pipes contain diamonds, and no more than one in 20 of those has enough big stones to justify a mine.

Such long odds did not discourage exploration companies from flocking to the Northwest Territories, nor analysts from recommending their shares, in the ambiguous phrase of one recent report, as a "strong speculative buy".

Mr Hainey invokes a gambling metaphor. "The prize is so high," he says. "People are prepared to put their money into the lottery." As with a lottery, one big winner will probably yet emerge from the Northwest Territories. A consortium of Australia's BHP Minerals and its Canadian partner, Dia-Met Minerals, is expected to start construction early next year on a mine near Lac de Gras, about 300km north-east of Yellowknife. On present indications, the mine will be one of the world's premier diamond producers.

The story of BHP and Dia-Met's achievement is perhaps even more impressive than Kennecott's disaster.

The Northwest Territories presents unusual challenges for men and machines. The vast expanse of treeless tundra is covered by snow and ice for more than half the year, with temperatures dropping so low in mid-winter that trucks and machinery must be kept running around the clock to prevent their engines freezing. A shovel's metal blade becomes so brittle that it is liable to snap when weight is put on it.

Diamond fever in the Frozen North goes back to the early 1980s. Mr Hugo Dummett, a geologist working for Superior Oil, was tipped off by a bush pilot that De Beers, which controls the world diamond market, was prospecting near the Mackenzie River.

Under cover of darkness, Mr Dummett and Mr Charles Fipke, a Canadian geologist and Dia-Met's founder, landed a helicopter close to the De Beers lakeside camp and picked up eight or nine samples of their own.

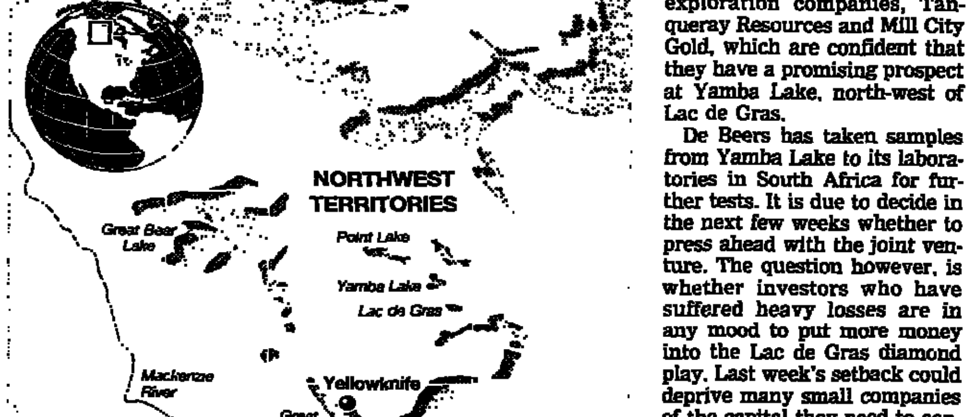
Superior Oil got out of mining exploration after it was bought by Mobil, the US energy group. But Mr Fipke continued the search, slowly moving eastward towards the source of the vast ice sheet which scraped up – and then deposited – metal-bearing rocks across northern Canada millions of years ago.

The long search almost broke Dia-Met. Mr Fipke recalled in an interview last year that several big mining companies which he approached for funds "turned us down flat".

Several fellow-directors at Dia-Met walked out. By 1987, only Mr Fipke's son and a pilot were left to help him sample the kimberlite outcrops.

In the meantime however, Mr Dummett moved to BHP. He persuaded his new Australian bosses to form a joint venture with Dia-Met in 1990.

The Great Canadian Diamond Rush



The breakthrough came a year later, about 600km east of the Mackenzie River. Samples from a kimberlite pipe beneath Point Lake yielded 101 carats of diamonds, equal to about 70 carats per 100 tonnes, which is well above the grade normally required to justify a mine.

Dia-Met's success set off the prospecting frenzy. Claims covering 53m acres (81,700 square miles) have been staked in the Lac de Gras area over the past three years.

Mr Gordon Stewart, whose Yellowknife-based company ferries supplies to remote mining camps, estimates that business has "very easily doubled". His company has arranged over 2,000 supply flights over the past 12 months.

Subsequent work by BHP and Dia-Met around Lac de Gras unearthed even richer deposits than Point Lake. The two companies have advanced to a full feasibility study which should be completed around the end of the year. If all goes to plan, the BHP-Dia-Met mine will be in production by 1997.

Anyone who shared Mr Fipke's early optimism has made a fortune. Dia-Met shares, which were trading at around 70 cents in August 1991, soared to a peak of over C$60 earlier this year, when they were split two-for-one.

As the company with the best chance of developing a mine, Dia-Met was relatively unscathed by last week's crash. Its subordinate voting shares currently change hands at about C$17. From being close to bankruptcy, Mr Fipke, who appears in Dia-Met's latest annual report wearing his favourite weather-beaten brown jersey and blue jeans, is now worth C$120m.

Hopes for a second Lac de Gras diamond mine had been pinned on the Kennecott joint venture. But Kennecott, which came to the NWT relatively late, was more impatient and less deliberate than BHP. "They showed up with a blank cheque book and signed up everybody close to the to Dia-Met claim block," recalls a geologist at one rival company.

Kennecott also cut corners in its bid to catch up to the Australians. While BHP gradually increased the size of its samples, the US company went straight from a small 2-tonne sample to a costly, underground programme involving about 5,000 tonnes.

With Kennecott and its partners now licking their wounds, attention has shifted back to De Beers. The South African group recently signed a tentative agreement with two junior exploration companies, Tanqueray Resources and Mill City Gold, which are confident that they have a promising prospect at Yamba Lake, north-west of Lac de Gras.

De Beers has taken samples from Yamba Lake to its laboratories in South Africa for further tests. It is due to decide in the next few weeks whether to press ahead with the joint venture. The question however, is whether investors who have suffered heavy losses are in any mood to put more money into the Lac de Gras diamond play. Last week's setback could deprive many small companies of the capital they need to continue their search.

Mr Stewart, whose Yellowknife supplies business has profited handsomely from the boom, is among those who has lost heavily on his investments.

Despite the setback however, it probably would not take much to revive the irrepressible confidence (some would call it greedy recklessness) which is a hallmark of mining exploration. Another speculative bubble could quickly appear if De Beers or one of the other companies makes another encouraging find.

News of the Kennecott debacle was only a few hours old when mining analysts at Crédit Lyonnais Laing in London were advising clients that "any fall in the share price of [De Beers' new partners] must be considered a strong buying opportunity." By the middle of this week, many of the junior companies' shares were starting to creep back up again.

INTERNATIONAL NEWS DIGEST

Germany's SPD lays out plans for tax changes

Germany's opposition Social Democrats yesterday fleshed out their plans for drastic tax changes if they win the October election, promising to scrap the government's 7.5 per cent "solidarity surcharge" to pay for unification at their first cabinet meeting. They are also promising a big increase in child allowances at once, and a rise in the tax threshold from 1996. The two first measures would come into effect almost immediately – by January 1. To pay for the cuts, higher earners, with more than DM60,000 (£24,800) a year taxable income, will have to pay a 10 per cent income tax surcharge, and married couples will lose some tax benefits. Mr Oskar Lafontaine, the party's economy and finance spokesman, said the whole package amounted to DM75bn in tax changes, with a neutral effect on revenues, but big benefits for the great majority of low-paid wage earners. The SPD also plans environmental tax reform, intended to promote less use of energy and raw materials, which would be introduced after 1996, Mr Lafontaine said. *Quentin Peel, Bonn*

Stockholm currency weakens

The Swedish krona weakened ominously yesterday despite Thursday's surprise increase in interest rates by the central bank aimed at stiffening the currency and halting signs of resurgent inflation. The combination of rising interest rates and a sagging currency heightened fears that Sweden, carrying a huge budget deficit and spiralling public debt, is entering a vicious cycle in which high interest rates deepen the deficit in the public sector, which in turn weakens the krona and ultimately leads to greater borrowing requirements. The krona slipped below SKr5 to the D-Mark to end the day at SKr5.018 and was also weaker against an Ecu-denominated index. The index rose by 0.45 to stand at 128.99. Meanwhile, the Stockholm stock exchange fell by more than 1.8 per cent for the second day in succession and market interest rates continued to increase. Yields on five-year government bonds were up 36 points at 11.29 per cent and interest on 12-month treasury bills rose 33 points to stand at 9.95 per cent. The nervousness hitting Swedish markets has been exacerbated by the uncertainty surrounding next month's general election. *Hugh Carnegy, Stockholm*

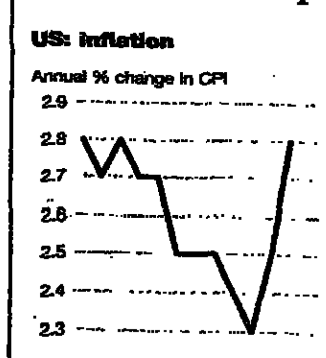
More Swedish support for EU

Support for Sweden's bid to join the European Union has increased significantly, cutting the lead held by the anti-Brussels camp in the EU referendum campaign to its smallest margin for months, an opinion poll published yesterday showed. The Gallup poll in Expressen newspaper, the first on the EU issue since before the July holiday, showed the Yes vote rising three points to 38 per cent from a similar poll in June, while the No vote slipped one point to 40 per cent. The result is a boost for the right-centre coalition government and the opposition Social Democratic party, which are campaigning for a Yes vote in the November 13 referendum but have faced a firm lead by the No side for most of the past year. However, the large portion of voters – 23 per cent – still undecided signals continued uncertainty over the outcome. *Hugh Carnegy, Stockholm*

Italian grand prix cancelled

Fia, the governing body of world motor sport, yesterday decided to cancel the 65th Italian grand prix, due to be contested on September 11, ending weeks of uncertainty caused by a row between tree-hugging environmentalists and road-hogging Formula One drivers. Environmental groups have been protesting against proposals to fell more than 100 trees and extend the gravel-filled safety lane at one fast right-hand bend on the track. Drivers called for the improvement after the accident which killed Ayrton Senna at the San Marino grand prix earlier this year. Various local and national authorities failed to come to a final decision on whether trees or turbos should have precedence, until yesterday, when Fia decided it had had enough and cancelled the race. Mr Aldo Moltifiori, mayor of Monza and the grand prix's strongest advocate locally, claimed direct and indirect earnings from the grand prix amounted to L70bn a year, with 100 jobs depending directly on the race, and a further 1,400 temporary employees helping on race day itself. *Andrew Hill, Milan*

US consumer prices up 0.3%



Source: Datastream

US consumer prices in July rose by a subdued 0.3 per cent, the same increase as in the previous month, according to a Labour Department report out yesterday. As with the wholesale price index published on Thursday, higher energy and coffee prices were the main components in the rise. The core rate in July – excluding food and energy – went up by just 0.2 per cent, lower than the 0.3 per cent recorded in each of the two previous months. The CPI now has risen at an annual rate of 2.7 per cent so far this year, suggesting no undue inflationary pressures. Nevertheless, the markets still expect the Federal Reserve to raise short term interest rates next week, probably by 0.25 per cent to 4.5 per cent. *Jurek Martin, Washington*

Spain's recovery continues

Confirmation of Spain's gradual recovery from economic recession coincided yesterday with a slight resurgence in the headline inflation rate. A 0.4 per cent rise in consumer prices in July brought the year-on-year rate back up to 4.8 per cent compared with 4.7 per cent in June. The government target of 3.5 per cent for the year is increasingly less likely to be met. Fresh food prices climbed by 1 per cent in the month. The underlying rate – excluding volatile food and energy prices – was more moderate at 0.2 per cent in the month, bringing the annual increase down from 4.4 to 4.3 per cent. The Bank of Spain said growth was over 1 per cent in the second quarter compared with the same period last year. *David White, Madrid*

Paris opera house rocked by last-minute dismissal

Storm at Bastille sinks its conductor

By Alice Rawsthorn in Paris

Yet another drama has unfolded at the scandal-scarred Opéra Bastille in Paris with the dismissal yesterday of Mr Myung Whun Chung, the acclaimed South Korean conductor, as its artistic director only a month before the start of its new season.

Mr Chung won praise at the Bastille for productions such as Shostakovitch's Macbeth. However, his tenure in Paris has been clouded by the highly-publicised problems of the Bastille.

It has fared well in terms of attendance but has been plagued by strikes and financial difficulties since its glittering opening by President François Mitterrand as a state-of-the-art "people's opera" on the 200th anniversary of the 1789 French revolution.

The departure of Mr Chung, 41, who joined the Bastille five years ago following the firing of Mr Daniel Barenboim, the Israeli-born conductor, ends weeks of wrangling between him and the Paris Opéra's new management team led by Mr Hugues Gall. Mr Gall is a former bureaucrat who was appointed director-designate last summer after the election victory of Mr Edouard Balladur's centre-right government.

Mr Chung had been brought into the Bastille by Mr Gall's predecessor, Mr Pierre Bergé, feisty head of the Yves Saint-Laurent fashion house and a close friend of Mr Mitterrand.

The appointment of Mr Gall, whose operatic empire includes the 19th century Garnier opera house and Opéra-Comique as well as the brand new FFr3bn (£360m) Bastille, immediately sparked speculation about the Korean's future.

The behind-the-scenes battle between the two men came out into the open on Thursday when Le Monde newspaper published an interview with Mr Chung.

The conductor claimed that the new management was trying to curb his artistic freedom and to change the terms of his contract, which was to run until the year 2000 with a sliding scale salary rising to FFr8m in his final year.

Although Mr Chung told Le Monde that he would be willing to make "a significant financial sacrifice" to stay at the Bastille, he made it quite clear that he was not willing to relinquish his power over the choice of productions or artistes.

However, Mr Gall has made no secret of his intention to exercise full authority over every aspect of the Paris Opéra's activities.

The Opéra yesterday issued a formal statement saying that it had terminated Mr Chung's employment because he had rejected all its proposals to shorten his contract. The Korean was said to be considering legal action.

Mr Gall now faces the challenge of getting to grips with all of the Bastille's problems, as well as pressing ahead with his plan to shed 119 of the Paris Opéra's 1,700 staff and preparing for the start of the Bastille's new season on September 19 *without* an artistic director.

Beating the big freeze in Ulan Bator

By Andrew Taylor, Construction Correspondent

Having hauled equipment 8,000km across the former Soviet Union under armed guard, an Anglo-German joint venture is racing against time to beat the Big Freeze in an attempt to modernise Mongolia's only international airport at Ulan Bator.

In two months it will be too cold to work outside. Before then the contractors – Wimpey of the UK and Philipp Holzmann of Germany – must reassemble some of their 500 tonnes of construction equipment, knowing that the nearest spares are seven time zones away.

The equipment for the airport, including a 140 tonne British asphalt mixing plant cut into component parts and accompanied by armed guards, took 16 days to travel from Kosice in Slovakia to the Mongolian capital.

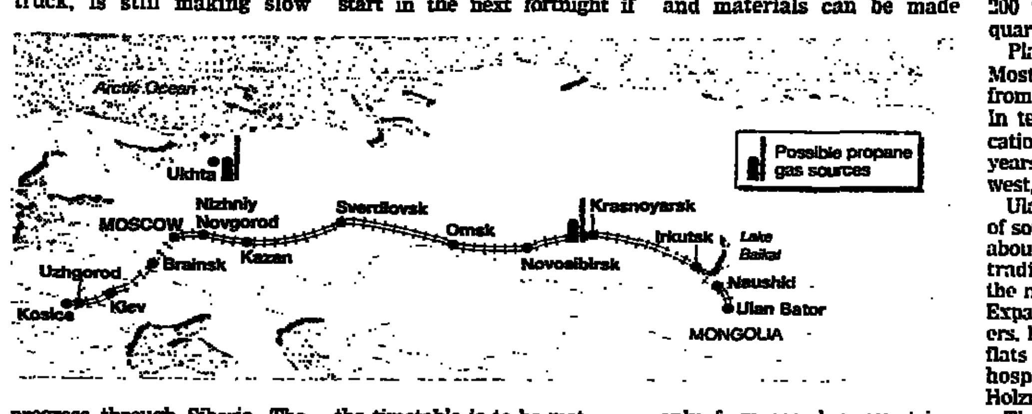
The parts need to be welded back together before contractors can start resurfacing the 3,200 metre runway. But the intense cold is just one of the problems which will have to be overcome by the two companies which won the $31m (£20m) contract.

Almost all the equipment and materials needed to resurface the runway, overhaul aircraft taxi and parking areas, construct a new control tower and refurbish the airport terminal will need to be imported.

The asphalt mixing plant and other construction equipment and spares, much of it used by Wimpey on an airport contract in Slovakia, was transported in two trains. A mobile crane, on a defective truck, is still making slow progress through Siberia. The rest of the equipment, including electric generators to augment the shaky Mongolian power supply, has arrived safely.

The rifle-toting guards, veterans of the Afghan war, were customary on freight trains crossing the former Soviet Union, said Mr Nick Connor, general manager of Wimpey Asphalt's overseas division. In this case, the only pilfering that occurred was inside Slovakia when lights for night working and a small electric motor were stolen.

Night work, out of doors, will become impossible by mid-September. By the end of October all outside work will halt until spring. Resurfacing the runway, due to be completed by the end of this year, must start in the next fortnight if the timetable is to be met.



Agreements have still to be reached with Russian oil refineries which, because of shortages in Mongolia, will have to supply 2,000 tonnes of bitumen for asphalt as well as 500 tonnes of diesel and 150 tonnes of petrol. Even propane gas used to heat asphalt laying pavers will need to be imported.

Negotiations are taking place with four refineries. The nearest is at Krasnoyarsk in Siberia, 800km from Ulan Bator. The farthest is 8,000km away at Ukhta close to the Artic circle.

One of the problems for the contractors is that 86 per cent of the finance for the project comes from the Asian Development Bank which stipulates that purchases of equipment and materials can be made only from member countries, which excludes Russia.

The contract also involves moving Russian-built navigation equipment to work alongside newly purchased western navigation aids. Engineers, employed by an east German sub-contractor with experience of Russian equipment, will work on the project.

Slovakian engineers who worked with Wimpey in Slovakia will help train Mongolian construction workers who cost $150 (£96.70) a month in pay and keep compared with $8,500 a month for a European worker. That was 40 Mongolians for the price of one European, Mr Connor pointed out.

"There is no way we could complete the job for this price without using local labour. At the peak we will employ about 200 workers, of which three quarters will be Mongolian."

Plant is a different matter. Most local equipment comes from the former Soviet Union. In terms of technical sophistication and reliability it is 20-30 years behind that used in the west, the Wimpey boss said.

Ulan Bator has a population of some 600,000 people of which about half live in yurts, the traditional tent-like home of the nomadic Mongolian people. Expatriate construction workers, however, will be housed in flats connected to the Russian hospital where Wimpey and Holzmann have their offices.

The hospital needs to raise finance to remain operational and is renting out part of its space to commercial concerns. It will also provide medical insurance at $20 per person to Wimpey and Holzmann.

Both companies plan to bid for further work in Mongolia with several large road contracts expected to go to international tender. After the struggle of getting its equipment to Ulan Bator, Wimpey hopes not to have to haul it so far for the next job.

US in nuclear conundrum on North Korea

Would it be wise to supply Pyongyang with water-cooled reactors made in the west?

By Bernard Gray

Unlikely as it may seem, the US may have to supply advanced nuclear technology to North Korea to stop its atomic bomb project. This may appear like helping an alcoholic by giving him a bottle of Scotch, but it could be the best way to resolve the dispute.

On the table at the negotiations between North Korea and the US in Geneva this week is a proposal that the US supply the Koreans with water-cooled reactors if Pyongyang agrees to shut down its gas-cooled graphite stations. The difference between the two is important because water-cooled reactors would make it more difficult to start an illicit nuclear weapons programme.

Nuclear reactors produce energy for electricity by splitting uranium atoms and releasing heat. They can also be used to produce material for atomic weapons because other nuclear reactions occur in the fuel rods of a reactor. One of the most important is the conversion of uranium into plutonium – a man-made element which can be used as the explosive in atomic bombs.

All reactors produce this plutonium, but the kind which is most explosive in atomic bombs is called Plutonium-239. This is made in the early months that the uranium fuel is in use. Once the fuel has been in the reactor for some time, the Plutonium-239 is itself converted into other forms of the same element called Plutonium-240 and Plutonium-241 which are much less explosive.

So to make atomic weapons, the nuclear fuel is ideally only used in a reactor for a few months, taken out and the constituents chemically separated. The nearly-pure Plutonium-239 is then available for use in bombs.

Graphite reactors – such as used by the North Koreans and by the UK for nuclear weapons manufacture – often have their fuel in the reactor for a much shorter time than in water-cooled reactors, the type used for power production by the US and France . This is because they use less-expensive fuel which loses its reactive qualities more quickly. They therefore tend to produce more weapons-type Plutonium than water cooled reactors.

Water-cooled reactors use a more expensive fuel which is pepped-up or "enriched" with the more reactive form of uranium. They can thus run for much longer between fuel changes and indeed must do so if the extra cost of the fuel is to be justified. As a result, water-cooled reactors produce plutonium which has a much lower content of the explosive form.

Graphite reactors are also easier to shut down and restart than water-cooled, and the fuel can be removed more quickly. An operator who wanted to skirt around international restrictions would find it hard to disguise from international inspectors the minimum four-or-five day shutdown a water reactor requires for refuelling.

If North Korea used water-cooled reactors they would produce less bomb-quality plutonium and would be easier to monitor, but there are several snags and loopholes.

First, building a water reactor to meet North Korea's electricity requirements would be very expensive. The plant would be about half the size of the recently-completed Sizewell B plant in Suffolk, England, which cost more than £2bn. It is far from clear who would pay to build a Korean water reactor, still less certain what message this would send to other potential weapons states.

It is also possible, if uneconomic and more difficult, for North Korea to cheat using a water-cooled reactor. Furthermore the North Koreans have enough used graphite reactor fuel to make several atomic bombs which would have to come under international controls. If the International Atomic Energy Agency, the body responsible for monitoring, does not get a free hand to inspect all Korean facilities, Pyongyang could restart a small weapons reactor elsewhere or convert plutonium it has hidden into weapons.

Unless the US can get the North Koreans to agree to the kind of inspection arrangements it has so far rejected, promising western high-tech goods to the Koreans may not lift the threat of a clandestine nuclear state developing in Asia.

HYPO FOREIGN & COLONIAL PORTFOLIOS FUND

Société d'Investissement à Capital Variable
14, rue Aldringen, L-1118 Luxembourg
R.C. Luxembourg, B 25 570

NOTICE OF MEETING

As the extraordinary general meeting of shareholders of HYPO FOREIGN & COLONIAL PORTFOLIOS FUND, SICAV on 21st July 1994 has not reached the 60% quorum required by law, a SECOND EXTRAORDINARY GENERAL MEETING is convened for 31st August 1994 to be held at the registered office of the Fund, 14, rue Aldringen, Luxembourg with the purpose of resolving about the amendment of Article 16 k) a) of the Articles of Incorporation so as to read as follows:

"transferable securities admitted to official listing on a recognised stock exchange in any other country in Europe, the republics comprising the former Union of Soviet Socialist Republics, the American Continents, Asia, Oceania and Africa"

In order for the meeting to be able to deliberate validly on the aforesaid item of the agenda, no quorum is required. Decisions on this item of the Agenda will be taken at a majority of 2/3 of the shares represented at the meeting.

In order to take part at the meeting, the owner of bearer shares will have to deposit their shares five clear days before the meeting at the registered office of the Fund, 14, rue Aldringen, Luxembourg or with the following bank: BANQUE GENERALE DU LUXEMBOURG S.A., 14, rue Aldringen, L-1118 Luxembourg.

The Board of Directors

If you think Airbus Industrie makes only one aircraft, maybe this will change your view.

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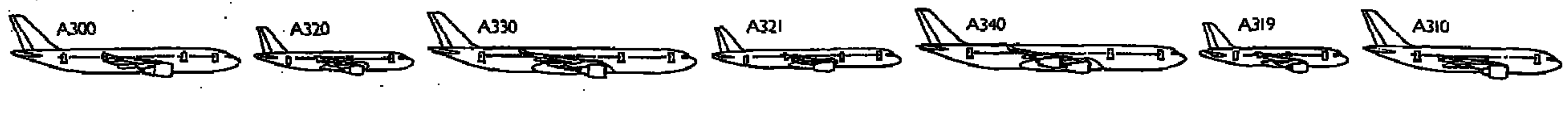


Strong yen widens Japan's trade gap

By Gerard Baker in Tokyo

The combination of a strong yen and rapid growth in the country's principal export markets pushed Japan's trade surplus higher again in July, according to preliminary figures published yesterday by the Ministry of Finance.

The customs-cleared merchandise surplus rose last month by 4 per cent from a year earlier to $12.3bn (£7.9bn), the highest July figure on record and the fifth largest for a single month.

Exports rose 6.9 per cent to $34.44bn, and imports grew 8.5 per cent to $22.15bn. The longer-term trend suggests the surplus is narrowing, but only slowly. In the three months to July the figure was 2.3 per cent lower than in the same period a year ago.

The steep appreciation of the yen in the last few months has kept the dollar-denominated surplus stubbornly high, as the value of the country's exports has risen rapidly.

The politically troublesome surplus with the US was $5.6bn last month, up 20 per cent on a year ago. A Ministry of Finance official attributed the sharp rise to the high yen and the strength of the US recovery. He noted that the rate of growth was slowing, but said prospects in the next few months would depend on developments in the currency markets.

The most important factor in the long-term movement of the trade balance, however, is the pace of Japan's economic growth. The government's Economic Planning Agency (EPA) yesterday gave a slightly more upbeat assessment of growth prospects, although once again it refused to state unequivocally that a recovery was under way.

In its monthly report it contented itself with observing that "bright spots have been spreading lately and there are movements towards pulling out of the slump - but gradually". Its reluctance formally to declare a recovery contrasts with the assessment of the Bank of Japan, whose governor, Mr Yasushi Mieno, on Wednesday repeated its view that the economy was "headed for recovery".

Yesterday an EPA official said "the situation is not such that the word 'recovery' can be used," citing continuing weakness in capital spending and uncertainty about the yen.

Meanwhile, corporate bankruptcies declined last month by 0.3 per cent from a year earlier, according to figures published yesterday by the Teikoku Databank, a private credit research agency. Total cases fell to 1,126, the first year-on-year drop for four months.

Airlines face dogfight over new staff contracts

By Gordon Cramb

The Japanese Transport Ministry is threatening a confrontation with the country's airlines over their plans to hire most new flight attendants on short-term contracts at sharply lower wage levels.

The airlines, pushed into losses by the domestic recession, the high yen and a worldwide decline in demand for first and business class seats, are anxious to cut costs.

In the past few years they have stepped up recruitment of foreign cabin crew, who are commonly paid a fraction of what their Japanese colleagues earn. Now they aim to hire Japanese, largely for domestic routes, who would be paid by the hour and could not expect to earn more than a third of the salary paid to their colleagues.

The move is a further erosion of Japan's system of lifetime employment. The contract staff who, although described as part-timers would usually work a full week, could be shed and rehired as traffic demands.

Mr Shizuka Kamei, transport minister, said after a cabinet meeting yesterday that co-operation between regular cabin crew and the contract recruits could be disrupted during an in-flight emergency. He said the airlines should rather look for savings among ground staff and warned the ministry could retaliate, for example by refusing applications to open new routes.

Mr Michihiko Matsuo, the ministry's top civil servant, sought to dilute his warning, saying the ministry could not regulate employment at airlines and did not intervene in labour issues.

By invoking the issue of onboard safety, Mr Kamei has distressed the airline industry. Japan Airlines said yesterday: "Our plans to employ part-time stewardesses pay very close attention to safety and security. We will study any recommendation from the ministry."

JAL has begun advertising for what it says would be an initial 100 contract flight attendants – all women – who would be based in Japan and would serve domestic routes. This number would eventually rise. The airline has some 6,000 full-time Japanese cabin attendants, but hopes to reduce these to 4,600 by 1998 in a drive to cut its total staff to 17,000 from a level of nearly 22,000.

● Japan moved further yesterday towards deregulating its domestic rice market when a government advisory council called for a wartime law controlling production and distribution of the staple to be scrapped. The government is expected to accept the broad findings of the Agricultural Policy Council.

Chinese hit by optic fibre glut

By Tony Walker in Beijing

China's fledgling optical fibre cable industry is in crisis due to a nationwide glut that has forced some plants to close and others to slash production.

This will be ominous news for international telecommunications companies like AT&T and Alcatel which are planning optical fibre plants in China.

The official Economic Information Daily newspaper said yesterday China's cable production capacity had reached 300,000km annually, compared with demand of 60-70,000km. Some 80 companies producing optical fibre had already been set up with another 40 planning to enter the field. "By the time all these companies are ready," it said "China would be able to produce more than 400,000km of optical cables, four to five times more than the market demands".

Problems of oversupply in the Chinese market are being exacerbated by the global glut. The Yangtze Optical Cables, based in Wuhan, central China, and one of the country's leading producers, has been forced to cut prices by up to 15 per cent to preserve its share of the market.

Local and international producers have swarmed into the market, lured by China's huge demand for cable to satisfy its ambitious telecommunications expansion plans. But Mr Xu Shanyan of the Ministry of Posts and Telecommunications, said yesterday the ministry had been warning companies of an impending glut in optical fibre cables.

"We do welcome competition," he said, "but the problem is that we can't have too many factories. This will not only have an adverse effect on investors, but also on our own joint ventures."

Mr Xu said there were no plans at this stage to freeze the building of new optical fibre plants, but he urged investors to study the market carefully.

Rafsanjani is seen to have lost control at home and abroad

Iran simmers with discontent

By Scheherazade Daneshkhu

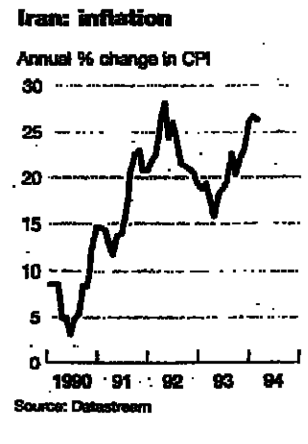
While international attention has again focused on Iran in the wake of bomb attacks against Israeli targets in London and Buenos Aires, the government of President Ali Akbar Hashemi Rafsanjani has been facing increasing violence and unrest at home.

Earlier this month riots broke out in Qazvin, an industrial city 50km north of Tehran, ostensibly over the rejection by the Iranian parliament of a proposal to allow the city of 1m people to become an autonomous province, devolved from that of Zanjan.

The unrest, which resulted in at least four deaths, was so serious that Mr Ali Mohammad Besharati, interior minister, was forced to visit Qazvin and pledge that, as a comprise, it would be separated from Zanjan and included in Tehran province instead.

The most spectacular violence occurred in June, when a huge bomb exploded at the country's most important Shia religious shrine – the mausoleum of Imam Reza in the holy north-eastern city of Mashhad – killing dozens of people. The bomb was possibly in revenge for the earlier destruction of a Sunni mosque by the authorities which triggered serious riots in the eastern town of Zahedan, with its large Sunni population. Potentially the most serious incident of the year occured in February when

Iran: inflation



Source: Datastream

a gunman fired shots at Mr Rafsanjani, who was unwounded, at Friday prayers.

The emergence of ethnic and religious divisions was further underlined earlier in the year, with the mysterious murders of a number of Christian priests. First, Mr Haik Hovsepian Mehr, the head of the small evangelical Assemblies of God, was killed in January, followed in June by his successor, Mr Tateos Michaelian, and then by a younger priest and convert to Christianity, Mr Mehdi Dibaj, in July.

The government has denied involvement and has sought to pin the blame for all these acts of violence on the country's largest and most organised opposition group, the Iraqi-based Mojahedin-e Khalq.

The violence caused by the public challenge to the government's authority reflects the confusion and lack of coherence in the government's implementation of policy. Mr Rafsanjani, who was elected president for a second four-year term just over a year ago, has been widely credited with shaping a more pragmatic face for the Islamic Republic. A shrewd political operator, Mr Rafsanjani understood that Iran's interests were not best served by confrontation with its pro-Western Arab neighbours or the rest of the world.

After Ayatollah Khomeini's death in 1989, he set out to revise some of the central policies of the earlier revolutionary era. One of the mistakes he declared, was for Iran to have made so many enemies, leaving it friendless and isolated in the eight-year war which followed the Iraqi invasion.

Yet, five years after Khomeini's death, Iran's foreign policy, while not in tatters, can hardly be judged a success.

Rafsanjani: under threat

Four Iranian diplomats are being sought for questioning by Argentina over the Buenos Aires bomb, which killed nearly 100 people last month.

Mr Warren Christopher, the US secretary of state, has again described Iran as an "international outlaw" and has renewed pressure on Iran's main trading partners, Germany and Japan, to scale down commercial ties with Tehran.

Success has been no more forthcoming domestically, where Mr Rafsanjani sought to place the need to rebuild the economy at the top of the political agenda, in stark contrast to Ayatollah Khomeini.

But for all the attention given to the economy, it is arguably at its nadir, with high inflation, a mounting debt burden and a shortage of foreign currency earnings caused by the weakness of oil prices. Rising inflation has also placed a heavy burden on many increasingly resentful Iranians.

With so many of the foreign and economic policy goals set in the early Rafsanjani years either waylaid or unsuccessfully targeted, the government appears to lacks direction and has been impotent in its efforts to weld together the multiplicity of power centres of which it is comprised.

The public perception of Mr Rafsanjani, who has adopted a much lower profile, is that he has lost control at home and abroad, so the challenge to his authority is likely to continue and may even intensify.

Paris plays down terrorist risk

By John Ridding in Paris

France yesterday extended its curbs on Islamic militants but played down the threat of domestic terrorist attacks in reprisal for security measures which include the internment of more than 20 suspected Algerian radicals.

Mr Charles Pasqua, interior minister, said the risk of terrorist attacks was greater outside France. "We do not believe there is a direct terrorist threat in France linked to the events in Algeria, but it is clear that we have to take precautions", he told Le Figaro newspaper.

Mr Pasqua's comments coincided with a warning from the Armed Islamic Group (GIA), a radical Algerian Moslem group which claimed responsibility for killing five French nationals in Algiers earlier this month, that France would face "violent attacks on its interests in Algeria" if it failed to meet various conditions.

The conditions included evacuating all French citizens from Algeria and ending support for the military-led government. The GIA also ordered France to protect Moslem rights in its national territory.

In France, more than 3,000 people were stopped on Thursday night, taking the six-day tally to about 16,000. Eleven individuals were being questioned as part of the latest checks, according to officials. Twenty-two suspected Moslem militants are being interned at an army barracks.

Mr Alain Juppé, France's foreign minister, endorsed Mr Pasqua's handling of the police action but sought to distance himself from the interior minister's hardline analysis of the Algerian situation.

Mr Juppé denied France gave unconditional support to the Algiers regime and said he had urged the government to hold elections as soon as possible. The Algerian government cancelled an election in 1992 which the now outlawed Islamic Salvation Front was set to win.

Mr Pasqua has argued that the only choice in Algeria is to support the existing government or see the country fall into the hands of extremists.

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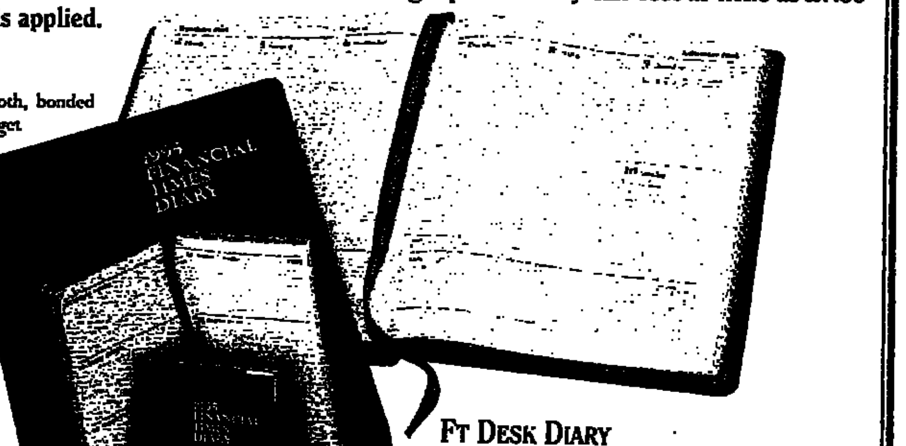

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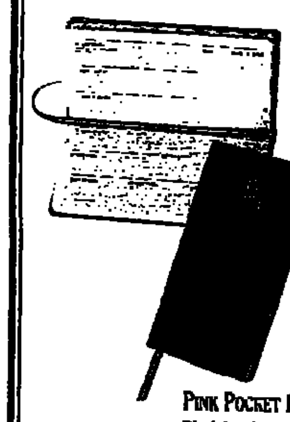

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NEWS: UK

Director bought power shares ahead of review

By Norma Cohen and Michael Smith

Mr Denis Cassidy, a non-executive director of Seeboard, the electricity distribution company, bought 5,000 shares in the company at 382p each just three days before release of an electricity industry price review.

Seeboard's shares closed yesterday at 414p, up 18p on the day. On Thursday the price of shares in Seeboard and the 11 other regional electricity companies in England and Wales soared following a report by Professor Stephen Littlechild, the electricity regulator, showing price controls less onerous than had recently been thought likely.

The Stock Exchange is understood to have been investigating dealing in the shares of the companies before the release of the report and is said to have shown particular interest in share purchases by directors.

Some directors may have had advance reports of Prof Littlechild's recommendations because they participated in the pricing review, although non-executives such as Mr Cassidy are much less likely to have been involved.

Separately, the Stock Exchange is understood to be examining trading in shares of the companies by brokers, some of whom are believed to have obtained advance copies of the report.

Seeboard said that Mr Cassidy, who is also chairman of Boddington, the drinks group, had sought the approval of Seeboard's board to purchase the shares, in line with board policy. He joined the board as a non-executive director in May and owns no other Seeboard shares.

There is no evidence that Mr Cassidy had any advance knowledge of the contents of the Littlechild report.

Explaining the purchase, Seeboard said that having joined recently as a non-executive director "he was showing a long-term commitment to the company".

It was not immediately clear why the board sanctioned a purchase of company shares just days before the release of a price-sensitive document likely to affect the company's future profits. The company declined to make any other comment on the matter.

The Stock Exchange has an unofficial policy of closely monitoring trading in a company's shares in the days leading up to the release of price-sensitive information.

The review is regarded as highly favourable for all the electricity companies. Analysts are divided on how Seeboard fared, with some saying that it did relatively badly and others taking the contrary view.

Among the investment community the company enjoys one of the best ratings of all the 12 regional companies.

Motor licensing agency to close local offices

By John Authers

All of the Driving and Vehicle Licensing Agency's 51 local offices are to close by 1997, with the loss of 1,500 jobs, it was announced yesterday.

The agency, which said earlier this week that it was cutting 700 jobs at its Swansea headquarters, said that a pilot computer scheme would eliminate any need for over-the-counter services to the motor trade.

It said that about 1,000 jobs involved with collecting car tax could go following the decision to collect the tax continuously, while the work of dealing with specialist registrations such as trade number plates – involving about 500 employees – could be handled at Swansea or dealt with by agents.

The annual cost of the district office network was put at £40m.

The agency said that all customers would be given notice of the changes and that alternative sources of service would be in place before offices were closed.

Unions and the Labour party reacted angrily. Mr Barry Reamsbottom, general secretary of the Civil and Public Services Association, described the decision as an "act of butchery" by the government and pointed out that the agency's staff were last year awarded a Charter Mark for excellence in service delivery.

He said: "The government is making two major assumptions. It is assuming that untried, untested new technology will work, and secondly, that legislation to introduce continuous licensing will pass without opposition.

"Over £130m remained uncollected last year because of vehicle excise duty evasion. The news of the closure of VRO offices will be music to the ears of the tens of thousands of car-tax dodgers."

Mr John Sheldon, general secretary of the National Union Civil and Public Servants, said the cuts had nothing to do with making the agency more efficient or effective.

He said: "The office closures and planned redundancies are a cynical part of the government's preparations for the privatisation of DVLA."

Mr Tony Lloyd, Labour employment spokesman, said the move was "a devastating blow" to the agency and to employment.

Motoring organisations predicted, however, that the changes need not cause serious problems. The Automobile Association said that most motorists already communicated with Swansea rather than with their local office.

Reuter

Bobby Hall accompanied by his gun dog Bosun yesterday on a moor near Kirkwall, Orkney for the opening of the grouse shooting season – the Glorious 12th

Accountant's employee monitoring 'failed'

By Andrew Jack

A leading accountant failed to make sufficient inquiries into the private activities of an employee later convicted of forgery and deception, his professional body has concluded.

Details of proceedings by the disciplinary committee of the Institute of Chartered Accountants in England and Wales against Mr Brian Worth were revealed yesterday. The committee found that Mr Worth, former chairman of Clark Kenneth Leventhal (CKL), an international network of accountancy firms including Clark Whitehill in the UK, knew that Mr Nicholas Young was conducting private business from the firm's offices but received only imprecise responses to inquiries about this business.

Mr Young, a former executive director of CKL, was convicted at the Old Bailey three years ago and has since been released from jail. While claiming to invest money in offshore trusts offering high rates of return he was actually spending it on a system of horserace betting and to sustain his lifestyle.

The proceedings of an appeal by Mr Worth against disciplinary action show that Mr Young paid CKL several thousand pounds each year – a significant proportion of CKL's total income – in connection with his private activities, which the committee says he described to Mr Worth as "certain clerical services to unidentified overseas clients".

After the original hearing in November Mr Worth, former head of the institute's investigation committee, was "admonished" and ordered to pay £1,000 in costs. The appeal hearing upheld this ruling and Mr Worth was ordered to pay a further £1,000 in costs.

The committee said he had failed to make adequate inquiries into Mr Young's work and that he had responsibilities as chairman of CKL and as a chartered accountant to supervise and monitor all Mr Young's activities.

It concluded that he was not entitled to rely without further inquiry on the "inadequate" explanations given to him by Mr Young on the source and nature of payments. It said his failure to make further inquiries "would have caused concern and surprise to most right-thinking members of the public".

The committee stressed that Mr Worth was of good character, had always acted honourably and had been genuinely misled by Mr Young. There was little chance further inquiries could reasonably have led to the detection of the fraud.

Trawler attacks 'stopped by navy'

The arrival of the Royal Navy in the tuna-fishing grounds of the Bay of Biscay has stopped harassment of UK trawlermen by their Spanish rivals, the head of the fisheries protection squadron said yesterday.

Speaking at a news conference, Captain Christopher Morrison said there had been no attacks on British fishing vessels since shortly after the first naval protection vessel, the Anglesey, arrived in the area eight days ago.

Capt Morrison also defended his squadron's role, which has been criticised by fishermen's representatives, in checking that European Union fishing rules are being carried out.

Two fishing vessels have returned to Cornish ports in the past week after claims that their nets were too long.

Capt Morrison said when the Anglesey arrived at dawn on August 4, a British vessel radioed to say it was being harassed. "As she arrived on the scene, the Spanish fishing vessels left . . . and since that moment no harassment has taken place on British fishing vessels," Capt Morrison said.

"Any idea that the navy has sat by watching while Spaniards cut British fishing nets is simply not true."

The Anglesey has since been joined by a second fisheries protection vessel, the Alderney.

His comments came after the agriculture minister, Mr William Waldegrave, told Cornish fishermen the navy would prevent Spanish ships driving British trawlers off the fishing grounds in the Bay of Biscay.

The Newlyn-based trawler Silver Harvest successfully pulled in its net this morning in the middle of more than 100 Spanish boats with HMS Alderney "riding shotgun", said Capt Morrison.

Spanish fisheries ministry officials were unable to confirm reports that two Spanish fishing vessels were sent back to port two days ago for using driftnets longer than 2.5km.

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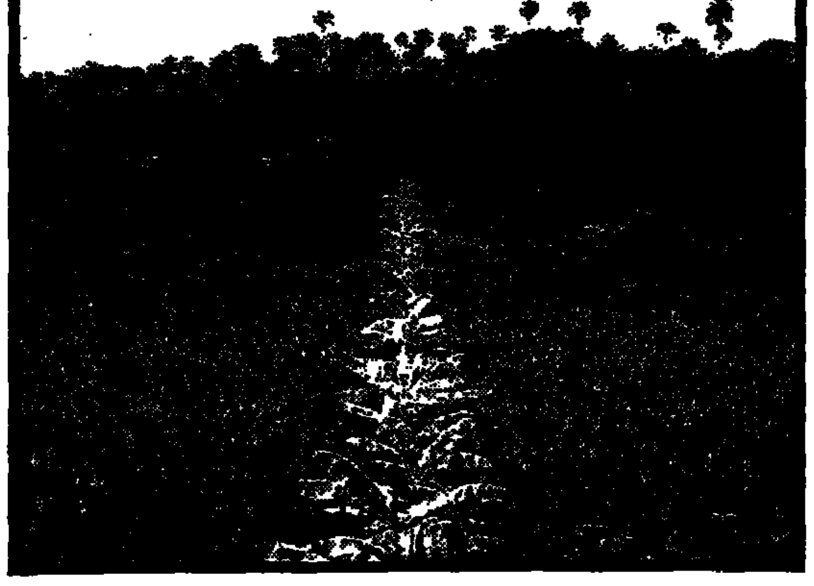

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NEWS: UK

Poll opens for Labour NEC seats

By Roland Rudd

A new generation of Labour politicians from the left and right is fighting for places on the National Executive Committee in elections which start today under a one member, one vote national postal ballot.

For the first time in more than three decades, Mr Tony Benn, the veteran leftwinger, is not standing. Although Mr Benn was removed at the last party conference after more than 30 years' service, he recently found himself back on the NEC because of three vacancies.

These have been created by John Smith's death, the move to the European Commission by Mr Neil Kinnock, the former Labour leader, and Mr John Prescott's elevation to the deputy leadership.

Among the 21 candidates for the seven seats in the NEC's constituency section, Mr Peter Hain, one of Labour's main critics of the party's economic policy, is seen as the principal challenger from the left. Mr Dennis Skinner, a member of the hard-left campaign group, is not expected to win back the seat he lost last year.

In an attempt to create a wider left alliance Mr Hain recently criticised the modernising tendency in the party without naming the new Labour leader, Mr Tony Blair.

Mr Hain said Labour was in danger of becoming "an empty shell of a party with its activist base destroyed", and claimed that the power of activists has been usurped in the party "which has become centralised to an unprecedented extent".

These are the first NEC elections to be conducted among the party's 260,000-strong national membership on a one member, one vote basis.

It is expected that Mr Robin Cook, shadow trade and industry secretary; Mr David Blunkett, shadow health secretary; and Ms Harriet Harman, shadow chief secretary, will retain their seats. Mr Gordon Brown, the shadow chancellor, also looks safe.

The front-runners for the three vacancies from the right are Mr Jack Straw, shadow environment secretary; Ms Mo Mowlam, shadow heritage secretary; and Mr Chris Smith, environment spokesman.

Two of the seven elected members have to be women. Ms Mowlam is being challenged by Ms Dawn Primarolo, the leftwinger who speaks on health.

Chance for the marchers to break step

Tim Coone on the latest moves to end Northern Ireland's sectarian violence

Barely a week goes by in Northern Ireland without a date to be commemorated.

Ancient battles, the deaths of martyrs and atrocities from the political violence of the more recent past are remembered with flags, speeches and vows to stand firm against violence from the opposite side of the sectarian divide.

This weekend is no exception. Three hundred and six years ago a group of Protestant apprentices closed the gates of Derry, then the biggest city in Ulster, in the face of approaching troops loyal to the deposed Roman Catholic King James II. The siege was lifted in August 1689, and the Protestant Apprentice Boys mark that anniversary with an annual march through the centre of what is now a largely Catholic city.

When Catholic civil-rights protesters were being clubbed from the streets in Derry 25 years ago by a sectarian police force, the annual Apprentice Boys march sparked two days of riots which brought British troops to the streets of Northern Ireland.

At first welcomed by Catholics, the troops quickly came to be seen as an army of occupation bolstering Protestant political domination of the province. Ms Bernadette Devlin, later an MP, predicted from a Derry barricade at the time: "We don't fight the army today, but the day will come."

The Apprentice Boys will be marching in Derry again this weekend and republicans will hold their own demonstrations to repeat their calls for the removal of British troops from the province – and to mark another infamous date in the nationalist calendar, the introduction of internment in August 1971.

Reuter

Long range: troops took control of the streets of Belfast in August 1969 after fighting between Roman Catholics and Protestants

So has anything changed which makes this anniversary different? Cynics will say no. But the Republicans' worst-kept secret – the announcement this autumn of a prolonged IRA ceasefire in the wake of the Downing Street declaration – offers the first glimmer of hope in two decades that a resolution of the conflict might be in sight.

For several months senior republican figures have been hinting that a prolonged IRA ceasefire is in the offing – the first since 1975. Senior officials in the Irish government, which has kept open channels of communication with Sinn Féin, the political wing of the IRA, are convinced that "something will happen" in the next month.

Sir Hugh Annesley, the chief constable of the Royal Ulster Constabulary, told the BBC this week that a prolonged IRA ceasefire could quickly lead to a sharp reduction in the troop presence on the streets.

Both the Irish and British governments have been emphatic that a "permanent" rather than a "prolonged" IRA ceasefire will be necessary before Sinn Féin can be brought into political negotiations. The IRA refuses to engage in what it sees as a one-sided unilateral disarming of its units, but that does not rule out a phased response to military de-escalation measures as hinted at by the RUC chief.

Senior Irish politicians believe that it is around such gestures, reciprocated in turn by either side, and eventually embracing the Loyalist paramilitaries, that a prolonged ceasefire might be built into a permanent one.

This weekend the drums, pipes, flags and speeches will be redolent with the symbolism of the past. But perhaps the moves about to come will prove to have greater significance.

Tories attack motorway toll plans

By John Authers

Government plans to introduce tolls for motorway users were thrown into confusion yesterday by a fiercely critical report from a Tory-dominated committee of MPs.

The Commons transport committee says in its report that the government's arguments for motorway tolls in a green paper published last May were "unconvincing". It suggests that an increase in fuel duty would be cheaper and easier to collect.

The committee says: "The government will have to provide a great deal more information before parliament and the public can be persuaded that the green paper's proposals for electronic tolling are either desirable or workable."

Fuel duty "does not suffer from the defect of tolls, namely that motorists will be inclined to avoid payment by diverting on to other roads".

This could lead to the "totally unacceptable" prospect of between 20 per cent and 30 per cent of vehicles diverting from motorways on to "unsuitable local roads" at peak times, leading to "additional accidents and casualties, as well as environmental damage", the MPs warn in their report.

The MPs also attack the government's refusal to earmark the proceeds of an increase in fuel duty for motorway spending, saying this would breach the Treasury's rule against such use of tax revenues. They say this policy is "purely an accounting convention" and has no statutory basis.

A further "fundamental weakness of the green paper", the MPs say, was its lack of a guarantee that proceeds from tolls would be "genuinely additional money for spending on roads", and would not simply be recouped by the Treasury.

Dr Brian Mawhinney, the transport secretary, described the report as "an important addition to the public debate on this issue". He said toll revenue would be used only to improve the tolled network, and added: "Without improvements, the diversion of traffic which worries the committee will happen spontaneously." He said the government's two-year research programme into technology for the network would continue.

Labour dismissed tolls as "another Tory tax", while road-user groups also gave strong support to the committee. The Royal Automobile Club said the government must "go back to the drawing board", while the Automobile Association said tolls were "another unacceptable general tax on motoring".

The British Road Federation predicted that it was "unlikely any revenue from tolling will be available to accelerate the motorway improvement programme before 2000 at the very earliest", and said the government should "urgently" investigate other sources of funding.

However, the Freight Transport Association, representing industrial road users, said the committee had "got in a muddle" over whether motorway charging was meant simply to raise money or to provide a "value-for-money motorway system". It said increased fuel tax was a "blunt instrument" which would have an adverse effect on rural areas.

Charging for the Use of Motorways, House of Commons Paper HC 376-I, HMSO, £11.

Portillo condemned over application of European directive

By Ivor Owen and Lisa Wood

Mr Michael Portillo, the employment secretary, was yesterday accused of putting the jobs of thousands of disabled workers at risk to boost his credentials on the Conservative right wing.

And European Commission officials denied his department's claim that a European Union directive made it necessary to withdraw government contracts which provide work for workshops staffed by the disabled.

The commission said it had "never asked the UK to take this action and is surprised that it has done so in such an abrupt fashion rather than trying to get around it at community level".

It said that in the unlikely event of a legal challenge to the British scheme the commission would have sought a compromise to allow it to continue in some form.

Mr Tony Lloyd, Labour employment spokesman, accused Mr Portillo of acting on purely ideological grounds to strengthen his support among "extreme rightwing Conservative MPs".

In a letter to the minister Mr Lloyd says he has been assured that the European Commission had made it clear that new rules on public procurement did not require the withdrawal of such contracts.

He adds that the directive "was certainly not designed to destroy jobs for people with disabilities".

Mr Lloyd calls for a "very clear statement" on the reasons for a ministerial decision which could only add to the difficulties of a disadvantaged group of workers.

He urges Mr Portillo to discuss with the European Commission how the priority supplies scheme which enabled sheltered workshops to provide jobs for disabled people could be reactivated. If this could not be done Mr Portillo should announce the steps he proposed to protect the jobs threatened by his action.

Mr Phillip Oppenheim, the employment minister, said his department was seeking confirmation that the commission did not regard the directive as applying to government contracts with supported workshops and factories. "This conflicts with firm legal advice previously received from the government's own advisers," he said.

Unilever

Half Year Results 1994

SECOND QUARTER

At constant rates of exchange net profit increased by 2% over the corresponding period last year to £387 million. Profit before tax rose by 4% to £611 million. Turnover increased by 8%. Almost half of this increase was due to the net impact of acquisitions and disposals.

At the average exchange rates for each period net profit was 1% lower in sterling, unchanged in guilders but 3% lower in US dollars.

HALF YEAR

There was a gradual improvement in trading conditions as the half year progressed. This was most evident in the improved results worldwide of our speciality chemicals businesses. Results in our consumer businesses in Europe and North America do not yet fully reflect these improving conditions, but in the Rest of the World rapid growth in volume and profit continued.

RESULTS	Half Year 1994	1993	Increase/ (Decrease)
	£m unaudited		
At constant (1993 annual average) exchange rates			
Turnover	14,361	13,521	6%
Operating profit	1,135	1,072	6%
Profit before taxation	1,060	1,026	3%
Taxation	(348)	(329)	
Minority interests	(26)	(23)	
Net profit	686	674	2%
At each period's average exchange rates			
Net profit	674	679	(1)%
Combined earnings per share per 1p of ordinary capital	36.13p	36.38p	(1)%

In Europe, recent acquisitions contributed to an advance in both volume and operating profit in foods. A decline in volumes in oil and dairy based foods and professional markets contrasted with continued growth in ice cream and ready-to-drink tea. The benefit of continuing cost reductions enabled detergents to record a small increase in profit despite strong competitive pressures. In personal products a heavy launch programme for the prestige ranges led to reduced operating profit. Volumes and operating profit increased in speciality chemicals as the business benefited from the upturn in the major economies.

In North America, results in our consumer foods business improved. Good progress was made in oil and dairy based foods and pasta sauces. Ice cream sales and profits also increased and acquisitions made a significant contribution. In detergents results improved towards the end of the period but prices remained under pressure. Strong progress was recorded in both personal products and speciality chemicals.

Outside Europe and North America there was widespread growth in sales and profit. The results in Brazil and India were particularly noteworthy.

Interest costs were higher due to less favourable rates and increased borrowings during the half year to fund acquisitions, the payment of dividends and a seasonal increase in working capital.

At the average exchange rates for each period net profit was 1% lower in sterling, 2% higher in guilders, but 2% lower in US dollars.

With regard to the outlook for the year, we expect that a continuing improvement in trading conditions in our principal markets will lead to some further strengthening of our results.

CONDENSED BALANCE SHEET £ millions	End of first half year 1994 (unaudited)	As at 31 December 1993
Fixed assets	8,056	7,852
Stocks	3,780	3,449
Debtors	4,868	4,268
Trade and other creditors	(6,052)	(6,121)
	10,652	9,448
Net debt	2,321	1,629
Provisions for liabilities and charges	2,970	2,868
Minority interests	274	248
Capital and reserves	5,087	4,703
	10,652	9,448

NOTES

Balance Sheet Information

The condensed balance sheet as at 31 December 1993 has been extracted from the full Group accounts, on which the auditors gave an unqualified opinion, and which have been delivered to the Registrar of Companies.

Financial Reporting Standard 4 (FRS 4)

With effect from second quarter 1994, Unilever has adopted FRS 4 (Capital Instruments) of the United Kingdom Accounting Standards Board. This has required reclassification of certain preference shares in a group company from minority interests to debt in the balance sheet as at 31 December 1993. There has also been a reclassification of the dividends on these preference shares from minority interests to interest in the Profit and Loss Account for 1993. The preference shares were repurchased on 13 January 1994. Adoption of the Standard has no effect on reported net income.

Acquisitions and Discontinued Operations

In the first half of 1994 the effect on turnover and operating profit of acquisitions made in the period was £197 million and £10 million respectively. There were no discontinued operations in the first half of 1994 or 1993.

The results for the third quarter and announcement of interim dividends for 1994 will be published on Friday 11 November 1994.

For copies of Unilever results statements telephone Freephone 0800 181 891 or write to: Unilever Corporate Relations, P.O. Box 68, Unilever House, London EC4P 4BQ, or P.O. Box 760, 3000 DK Rotterdam.

Forecasters more upbeat over growth outlook

By Peter Norman, Economics Editor

Upbeat news about the economy and improving business sentiment have resulted in a widespread upgrading of economic growth forecasts in Britain this year and next, Consensus Economics said yesterday in its poll of forecasters.

The company said its monthly survey of 35 economic forecasters found an average expectation that gross domestic product would grow 3 per cent this year and 2.9 per cent in 1995. This compares with expected growth of 2.8 per cent for this year and 2.7 per cent in 1995 in July, and predicted average growth rates of 2.7 per cent in both 1994 and 1995 three months ago.

In general, economists are more bullish than the Treasury, which at the end of June forecast growth of 2¾ per cent this year and next.

Consensus Economics says that, on average, forecasters raised their expectations of consumers' expenditure, gross investment, company trading profits and manufacturing production in both years over the past month. However, the consensus points to an average rise of 2.6 per cent in retail prices this year – unchanged from July – and a slight rise to 3.7 per cent from 3.6 per cent in expected average retail price inflation in 1995.

The survey found that economists were slightly more optimistic about the outlook for the UK current account and about the public sector borrowing requirement. The consensus now points to a PSBR of £34.4bn in the fiscal year to the end of March 1995 compared with the government's £36bn forecast, and £26.2bn for 1995-96 against the Treasury's £28bn.

Consensus Economics also reports a significant upgrading of German growth forecasts this year and next. Its panel produced average forecasts of 2 per cent GDP growth for this year against 1.8 per cent previously.

Consensus Economics. 49 Berkeley Square, London W1X 5DB. £370 or $565 for 12 issues.

Draft guidelines on care of elderly anger opposition

Ministers were yesterday accused of trying to shift the burden of looking after frail elderly people to families and local authorities.

Draft guidelines issued for consultation would make it easier for hospitals to move elderly people out of long-stay beds and into nursing homes, where their families might be forced to pick up the bill.

Labour said the government was watering down guidelines on elderly patients' rights to free long-term care. The charity Age Concern said the right to free care would depend on where the patient lived.

But Mr John Bowis, junior health minister, said the draft guidance clarified the NHS's responsibility to the chronically ill.

The circular follows a watershed case in which a stroke victim who was unable to eat, move or talk was discharged to a nursing home against his family's wishes.

Present guidelines say patients should not be transferred from hospital to a nursing home against their will, but a growing number of hospitals has flouted the guidelines, closing "continuing care" beds for the chronically ill.

The situation has been made worse by growing pressure to treat more patients.

The proposed guidelines say the NHS should foot the bill for patients with complex or multiple handicaps who need continuing and specialist medical care.

Others, whose condition could not be improved medically but who needed intensive long-term support, would be assessed by social services and health professionals.

A decision on their future care would take into account the wishes of the patient and his or her family, and local eligibility criteria.

The document says every effort should be made to meet patients' preferences within the practical options and resources available.

Where patients assessed as not needing free long-term NHS care refused other options the health authority and the hospital "will need to take account of the needs of other patients in determining how long the person can continue to occupy an NHS bed".

Health authorities would have to review arrangements for paying for long-term care in the light of local needs, ensure that they were making appropriate provision, and agree and publicise local policies on eligibility with local authorities and health units.

Mr Bowis said nobody had the right to occupy indefinitely a hospital bed not required on a clinical basis, but patients were entitled to a clear decision on whether they were entitled to continuing NHS care.

Mr David Blunkett, the shadow health secretary, said Mr Bowis had failed to offer any clarification of where he believed NHS responsibilities for long-term health-care began and ended.

He said: "More and more families are going to end up picking up the tab."

NHS reforms 'damaging cancer research'

By Daniel Green

National Health Service reforms are damaging cancer research by rewarding hospitals for success in treatment rather than research and by forcing doctors to do administrative work, a survey warned yesterday.

Half of doctors conducting trials report difficulties in continuing their research, said the UK Co-ordinating Committee on Cancer Research, which represents large groups funding cancer research.

The government yesterday published for consultation the names of drugs it proposes to put on its "limited list" of products available on the NHS, Daniel Green writes.

The move is designed to produce cuts by extending the list of disease areas in which only a few products can be prescribed by NHS doctors. Drug companies have argued that limited lists stifle research into new treatments.

The list of 26 products in 10 areas includes Arret capsules for diarrhoea, Dermacort skin cream and Andax Ear Drops.

The advent of NHS trust hospitals has cut the time and cash spent on clinical trials of new treatments, it said.

Professor John Smyth of Edinburgh's Western General Hospital, and one of the report's authors, said drug companies contributed to the cost of trials but only those on new drugs where a high price could eventually be charged. NHS researchers also looked at other drugs that could provide cheaper treatments. It was this research that was suffering, he said.

Prof Smyth said: "We're not against trusts, but the concept of research is diametrically opposed to market-driven approach."

The government rejected the findings. Mr John Bowis, a junior health minister, said NHS changes did not "signal any lessening" of a commitment to clinical research. He said: "We have set a target of increasing research and development expenditure to 1.5 per cent of total NHS spending."

He added that a report on NHS research and development policy, commissioned by the government from Professor Anthony Culyer of York University, would be published next month. Prof Culyer would take into account the findings published yesterday in which most respondents blamed their difficulties on the increasing burden of administrative work, lack of time and staff shortages.

Dr Jonathan Waxman, cancer consultant at the Hammersmith Hospital in London, described how a team of specialists last month had to abandon its normal work to teach a health authority representative the basics of cancer treatment.

He said the government had tried to address the problem with grants to teaching hospitals designed to compensate them for their high overheads and time spent on research rather than revenue-earning treatment.

But the government's own advisers had seen that this did not help other hospitals where many clinical trials were conducted, said Prof Smyth.

The report, published in this week's British Medical Journal, outlines proposals to limit the damage it says is being done to cancer research. They include making clinical trials a government priority, allocating funds to support the cost of trials and for work to be co-ordinated centrally by the NHS.

Go-ahead for £85m shopping complex

Gracemount Developments, a property company owned by Mr Paul Jillard, Mr Keith Johnson and Grand Metropolitan Estates, is to develop a new 300,000 sq ft shopping centre worth about £85m at Solihull, West Midlands, Paul Cheeseright writes.

The borough council, as owner of six of the seven acres needed for the scheme, yesterday said it had signed contracts for the development with Gracemount. The council will give Gracemount a long-term lease and receive a royalty in return.

But the development will not start until the 30 different interests in the land not owned by the council are bought out. If the council resorts to compulsory purchase there will be a public inquiry next year.

Council by-election boost for Labour

Labour made four net gains in local authority by-elections last month as the party enjoyed a political "honeymoon" under its new leader, Mr Tony Blair, according to a survey by the Local Government Chronicle.

Labour candidates unseated Conservatives in Bradford, Portsmouth, and Castle Point, in Essex. The Liberal Democrats made a net gain of three and the Tories lost five.

Since the 1992 general election, Labour has won 66 seats but lost 68, while the Liberal Democrats have gained 162 seats with only 43 losses.

Brittany Ferries joins livestock ban

Another leading ferry operator is to cease carrying live animals for slaughter because of fears over the suffering caused.

Brittany Ferries said it would stop exports of farm animals, except those for fattening or breeding, on its six routes to France and Spain from August 22.

US agrees to Harrier successor project

By George Graham in Washington

UK and US defence officials have signed an agreement to work together on a new generation of jump jet that could replace not only the Harrier but also other conventional naval attack aircraft.

The agreement covers development and model testing of four possible designs of short take-off and vertical landing aircraft by consortia involving British Aerospace, McDonnell Douglas, Lockheed, Boeing and Northrop, as well as aero-engine builders Rolls-Royce, General Electric and Pratt & Whitney.

The programme aims to demonstrate that it is possible to develop an affordable, modular aircraft design which different services could adapt for different missions without too many compromises.

The programme would produce a variant, with powered lift, that could eventually replace the Royal Navy's FRS2 Sea Harrier and the US AV-8B, also a Harrier.

British officials said the technology developed could also be relevant to a replacement for the Tornado bomber.

The UK will pay $12m (£7.8m), one-third of the cost of this phase of development.

Timetable for route out of an impasse

Robert Taylor on the pressure signal workers are under to accept a pay settlement soon

The 10-week rail signalling workers dispute is rapidly approaching a showdown, with the threat of the loss of future pension rights looming ever closer for the strikers.

Mr David Armstrong, industrial relations director of Railtrack, warned that if the company and the RMT transport union did not reach a restructuring agreement by September 30 the signal workers would lose out in the carve-up of the British Rail pension fund on October 1.

Under railway privatisation the BR pension fund is to be split between the successor companies. Actuaries appointed by the trustees will calculate the amount each company will get based on the level of basic pay rates on September 30.

Mr Armstrong insisted that Railtrack was prepared to improve the basic rates of signalling staff by up to 26 per cent through restructuring. If this was done before the division of the pension fund it would substantially improve their pension entitlements.

He said that failure to reach a deal was likely to mean that £30m to £50m of the BR pension fund would be lost to the signalling workers, to the benefit of other rail workers. The cost to each signal worker would be between £1,000 and £1,700 a year on pensions.

Mr Armstrong said: "We have 33 working days left before this happens." Any package agreed after September 30 could not be backdated to ensure enhanced pensions.

The pension issue seems likely to grow in importance in the next few weeks. The signalling workers, who have already lost more than £500 through the strikes, stand to lose substantially more.

Whether this concern will modify what Mr Armstrong sees as the RMT's intransigent position is unclear. He has serious doubts about whether the union is in any mood to negotiate a flexible new deal for the signalling staff.

He pointed to what he saw as the union's almost continuous opposition over recent years to restructuring proposals for other groups of railway workers.

"They have walked away from other restructuring deals," he said. "If we agreed to the kind of up-front payment for the signal workers that the RMT wants they could do the same again. They want to lock a pay deal into the present archaic wages structure with its knock-on effects on overtime and shift pay. This is why I am cautious about taking the first step."

Pinned on the wall outside his office door is Railtrack's mission statement, signed by Mr Bob Horton, the chairman. Mr Armstrong is anxious to stress that it offers its workers "a fulfilling and challenging career in which we all share equal opportunities".

Railtrack is not going to precipitate a showdown by sacking all the signalling workers if they strike again and replacing them with a substitute labour force. "We don't want 4,500 unemployed signalmen. We want them all back at work."

He pointed out that Mr Ronald Reagan, the former US president, was able to fire striking US civil air-traffic controllers in 1981 because he could call on trained military air-traffic controllers to take over their jobs. It would take from eight to 13 weeks to train new signalling workers, and most of the railway network would be shut during that time.

Mr Armstrong is also concerned that such action would leave a legacy of bitterness and division. It is unlikely that such draconian action could be taken without provoking severe unrest among other railway workers.

Mr Armstrong admits, however, that there is no shortage of recruits willing to become signal workers. He said: "We had two vacancies in the north-east recently and we had over 2,000 applications for the two jobs – so much for the low pay and poor conditions of signal workers."

On the day Mr Armstrong started his job he found the signal workers dispute smouldering in his in-tray. It has been a harsh apprenticeship for a man who came from Trainload Freight, BR's heavy haulage company – his background was in shipbuilding industrial relations.

Now he faces the unenviable task of trying to end the rail dispute with the least pain and without imperilling the privatisation of the industry.

Brendan Corr

David Armstrong: prepared to improve basic rates by up to 26 per cent through restructuring

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Bolting for the exit

Since the US Federal Reserve started to raise short-term interest rates in February, global markets have acquired a sporadic habit of lurching down in tandem. Yet this week's synchronised market upset was precipitated not by the Fed or the Bundesbank, but by interest rate rises in Sweden and Italy. The merits of the Swedes and Italians are many and various; but since when have markets taken their cue from the Riksbank and the Bank of Italy?

True, this was a European rather than a global nudge downwards. On Thursday when the rot set in, Japan defied the trend in equities and bonds, while the US fell in response to poor domestic retail sales figures. To give Wall Street its due, it has internationalised itself to an unprecedented degree over the past decade. But the Federal Open Market Committee meeting next week will rightly take precedence over events in Scandinavia or Italy.

Yet even at a European level the market slide raises several questions. The rate increases were said by the monetary authorities of Sweden and Italy to be designed, respectively, to address inflationary pressure and to defend the currency. But the markets' immediate reaction was to depress the krona and the lira, thereby undermining these twin objectives.

As for the rationalisations offered by analysts for the synchronised nature of the fall, they look unconvincing. Suggestions that the central banks' decisions heralded the end of monetary easing in Europe look speculative. The Bundesbank is Europe's de facto monetary authority, and it operates largely on the basis of German domestic considerations, not those in Sweden or Italy.

What is clear about recent bond and currency market behaviour is that investors are in a funk about the growth of fiscal deficits. So, too, are central bankers; and the unspoken objective of the interest rate increases last week was to fire a shot over the bows of the politicians. The real question is whether the bond market tremor is justified and whether the central banks' actions will work.

Fiscal positions

Italy and Sweden are in very different fiscal positions. The OECD estimates that Italy's outstanding stock of gross public debt will top 120 per cent, as a percentage of GDP, by the end of next year. Only Belgium, within the OECD area, carries a heavier burden of outstanding public debt. Yet Italy has been taking steps to put its public finances in order. It is the only country in the Group of Seven, apart from Japan, that is running a primary budget surplus. This means a surplus of revenue over expenditure equivalent to 2 per cent of GDP this year, before deducting interest on the debt. This is the traditional recipe for debt stabilisation and a return to fiscal orthodoxy.

In Sweden, for decades the model of social democracy, the fiscal position is very different. Its debt stock falls short of Italy's. Yet both its general government deficit and its primary budget deficit are the highest in the OECD area. Its gross public debt, which was below the OECD average in 1991 at 53.4 per cent of GDP, is expected to top 100 per cent by next year, when it will fall short only of Italy, Belgium and Greece. In short, the rise in debt is vertiginous and the trend is adverse.

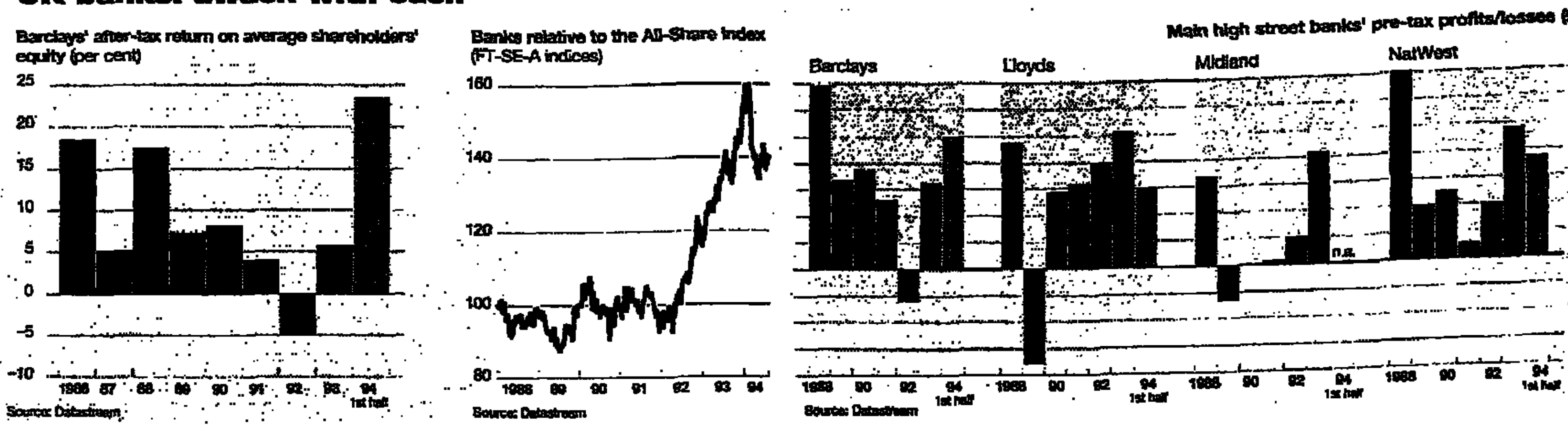
Market psychology

Against that background the central bankers' moves are double edged. Higher short-term interest rates will raise the cost of servicing the debt and reduce revenues if growth is restrained. Market psychology, meantime, is doubly punitive. Capital flows respond politely to changes in interest rate differentials in rising markets. But when they are worried, as at present, about the growing risk of bond market default, they recognise that no increase in rates can compensate for the risks.

The danger is that the pessimism becomes contagious. If everyone rushes to be first out of the exit, the currency depreciates anyway and bond markets fall. Governments are then forced to monetise the debt by borrowing from the domestic banking system. The markets also know that, while Italy may be on the path of virtue, the temptation to stray is greater when the budget is in primary surplus, because the cost of servicing the debt alone is preventing politically attractive tax cuts. For a new coalition like that of Mr Berlusconi's, it is all too easy to blame past debts on corrupt Christian Democrats and to call for a new start with a clean slate.

The Italian government is clearly determined to avoid the international opprobrium that would follow. If Sweden's social democrats return in the September election, they may prove tougher than expected. But for the moment, the European bond and currency markets are driven by fiscal fear and the electoral timetable. With Britain's Tories looking for pre-electoral tax cuts and Germany's Social Democrats hoping to improve their chances yesterday by promising the biggest programme of tax cuts for ordinary people in the history of the Federal Republic, who is to say the markets are crazy?

UK banks: awash with cash



Tills are alive with sound of money

Are UK banks making too much profit? John Gapper says shareholders and customers may compete for the bounty

For Mrs Margaret Bird, a Barclays' customer for 40 years, the news that Britain's biggest bank made £1.04bn pretax profits in the first half of this year was baffling. "I think it is an awful lot of money when they are laying off people. It seems a bit strange," said Mrs Bird as she used a cash machine outside Barclays' branch in Southwark, south London.

Mr Dick Barfield, whose company Standard Life owns £200m of Barclays' shares as an investment on behalf of its pension and life insurance policy holders, did not agree. "It is good to see the bank making decent profits after a period when it has not made much at all," he said. "Banks ought to make this sort of return to justify their existence."

It has been more than a decade since the UK's high street banks achieved the returns seen in the first half of this year. National Westminster Bank last week reported interim profits of £767m, and Lloyds made £605m. More important to the City of London, the banks achieved high returns on capital, and increased their dividend payments to shareholders substantially.

It is a remarkably rapid return to good fortune for banks whose profits – in proportion to their size – were negligible in the early 1990s. In 1992, NatWest made pre-tax profits of only £367m for the whole year, and Barclays made a £242m loss. The trauma forced Barclays into drastic steps: it cut its dividend, and appointed a new chief executive.

The swing in earnings is almost entirely due to falls in provisions against bad debts. Banks made huge provisions in the early 1990s to cover unwise lending during the height of the late 1980s boom. But the financial health of companies improved sharply in the first half of the year, allowing Barclays to cut provisions by two-thirds to £306m.

This revealed how much more profitable banks have made themselves in the past three years. They have pushed up margins on loans, increased charges and cut costs by reducing staff numbers. "As abnormal bad debts have become normal, banks have been unmasked as very profitable institutions," says Mr Chris Ellerton, banking expert at the investment bank S.G. Warburg.

Despite banks' protests this week that their profits were reasonable, this level of return is higher than that of banks in other countries, or of UK industry generally. Mr Joe Rooney, European equity strategist at the investment bank Lehman Brothers, says UK banks are an extreme example of a trend towards higher industry profitability.

"We are seeing a sizeable shift in the distribution of cash from wages and towards profits," says Mr Rooney. But although profits of other UK industrial companies reflect this trend, the average return on capital for companies in countries belonging to the Organisation for Economic Co-operation and Development is under half that reported by Barclays and Lloyds. Most European banks are now reporting much lower returns than UK ones.

British banks argue that protests about their profits are misplaced. First, they say that profits do not come solely from their UK branch networks. Banks such as Barclays and NatWest have built investment banking operations that trade in global markets and raise capital for large companies. They also run retail operations abroad. Barclays' high street branches in the UK made £659m – or 64 per cent – of its first-half profits.

Mr Colin Fisher, Lloyds' senior general manager for retail banking in the UK, argues that the high street bank "is not really making a great deal of money. Its return on investment is poor by any standard". Rather than being congratulated, Mr Fisher says he "comes under a lot of pressure from Brian [Pitman, the bank's chief executive]" to make more money.

Second, banks say that they need a high level of profits to make a good return for their shareholders, to retain enough capital to invest in their business, and to offer fresh loans. Although Barclays made £533m pretax profits in 1991, it was forced to remove £96m from its reserves to meet its tax bill, and to pay £338m in dividends.

Mr Martin Gray, chief executive of NatWest's UK branch network, says banks must make adequate profits because otherwise they would not attract capital from investors such as US pension funds. "Banks have to compete in a global market where there is a scarcity of capital. We must make a high return to cover the risk," he says.

Quite how high is a matter of debate. Banks themselves say they have a "cost of equity" – the return they must offer investors to obtain capital – of between 12 and 14 per cent a year. This is calculated by taking the 8.5 yield on 30-year Treasury bonds – a proxy for a "risk-free" investment – and adding 5 per cent to compensate for the extra risk of shares.

Banks should, therefore, make a minimum post-tax return of about this amount annually. Their return this year will be much higher: Barclays' return in the first half was more than 23 per cent. But bankers say this is not excessive because the industry is more cyclical than others. They have to make enough money in the good times to compensate for bad debt losses during recessions.

This was the reason why Mr Martin Taylor, Barclays' chief executive, was unabashed at its profits.

> **'Making a return on equity averaging only 4 per cent does not just damage banks, it destroys them'**

He said Barclays had squandered its shareholders' funds over the past six years by making a return on equity averaging 4 per cent. "That sort of return does not just damage banks, it destroys them," he said, arguing that Barclays now needed to rebuild capital.

But there is a flaw in this logic. Banks would normally be in need of capital in an economic recovery because demand for loans would be high. In practice, this has not happened. Companies are still repaying debt from the late 1980s, and individuals are wary of taking on fresh debts. This means that banks have no clear outlet for capital.

The result is that banks are starting to build up excess capital – more cash than they need to back loans. Barclays is likely to add about £800m to its capital this year, and unless loan demand increases sharply, it will find itself with a large pile of cash. The question for its 7m UK personal and small business customers in the UK is whether it will be used to improve service and lower prices.

There will be pressure on banks to do something. Investors are not keen on banks holding excess capital because they have a history of wasting such cash on loss-making acquisitions. Lloyds' shareholders have supported the bank's plan to spend £1.8bn of its cash on buying Cheltenham & Gloucester Building Society, but not all banks may find suitable takeover targets.

An alternative means of slimming excess capital is to give it back to shareholders. A lot of regional banks in the US – where bank profits rebounded earlier – have bought back their shares. "Shareholders tend to think excess capital is best dealt with by giving it back to the people who own the business," says Mr Ellerton of S.G. Warburg.

Yet customers could also benefit from banks' new-found wealth. There are already signs that rejuvenated banks are starting to compete with each other by lowering some of the prices that they raised in the early 1990s. Small business charges have been frozen, and initiatives such as Abbey National's cut in overdraft charges are proliferating.

Mr Fisher of Lloyds says that despite his bank not making adequate returns on current accounts, he has had to respond to margin-cutting moves by other banks. He cites Lloyds' decision in June to clear cheques in three days instead of four – thus losing interest on funds. "I did not want to do it, but I was forced into it by competitive pressure," he says.

Mr Gray of NatWest says that although banks "provide a hell of a lot for free", they cannot ignore price competition over more profitable products such as credit cards or mortgages. Similarly, Mr Bill Gordon, Barclays' managing director of UK banking, says that improved profits mean that "if there is a price war, we are in a better position to fight it".

Pricing is only one way in which consumers could benefit from banks' profits. Another is improvements in the level of service. Banks have been severely criticised for low service standards and inadequate technology since the recession. The more candid bankers admit that part of the problem stemmed from cost-cutting during the period of low returns.

"Quality of service can only be as high as you can afford," says Mr Fisher. "If you are trying to keep your bank going and your business customers alive, there is no doubt that you get distracted." Most banks have been investing large amounts in staff training and technology in the past two years, but some say they will now be able to speed up the investment.

In contrast to price cuts, investment in improved service may please shareholders. They would regard it as money well spent if it reinforced earnings by attracting new business, or protecting banks' large market shares. Yet there is limited evidence that banks have gained earnings benefits from the investments in technology and training made so far.

Mr Gordon says that technology, such as a computer system currently being installed in 400 Barclays branches to guide managers dealing with small companies, could help customers more than cuts in loan margins. "It will help our customers in spades. Some real insight into their finances is far more use to them than a quarter per cent off interest rates."

For this strategy to work, customers will have to recognise improvements in what their banks offer, and be less willing to be lured away by lower-priced products from others. Banks cite customer surveys showing gains in how they are perceived. But they appear some distance from regaining a level of customer loyalty that might protect them in a price war.

Mr Bird is one customer who has not yet noticed much of a difference at Barclays. "Service has really gone downhill," she says. She has not switched banks because it is "such a hassle" to do so. Yet her bank hardly has reason to feel secure in her loyalty if others start to use their growing piles of capital to woo her with cut-rate offers.

If that happens, banks' record profits will start to look vulnerable. Mr Gordon of Barclays says a decline in earnings would be a pity. "Far from banks being a bad thing, they are a very good thing. Where would we be without them?" he asks rhetorically. If banks are to sustain their profits at this year's level, he does not have much time to persuade the sceptics.

WOMAN IN THE NEWS: Taslima Nasreen

Safe from screams of intolerance

Taslima Nasreen, the controversial Bangladeshi writer, was yesterday about as far away as it is possible to get from the steamy streets of Dhaka where her life was under threat from Moslem fundamentalists.

Hidden somewhere in the cool Swedish forests, where she was whisked under police guard after fleeing to Stockholm on a tourist visa earlier this week, Ms Nasreen's hosts from PEN, the writer's association, said she was enjoying the natural tranquillity and security that now surrounds her.

The author herself said she may emerge from her secret hideout next week to answer questions about whether she intends to apply for asylum in Sweden, neighbouring Norway, or some other western country, or whether she eventually intends to go home. For the time being, in her only direct statement, she said: "Even though I find myself in a secure refuge, I need peace and quiet before I am sufficiently recovered to be able to fulfil my public obligations."

Her uncharacteristic reticence since leaving home is a measure of the pressure Ms Nasreen, who is 32, has been under since she was forced into hiding in June by death threats from fundamentalists enraged by her views, particularly on the role of women in Moslem society.

Ms Nasreen has been challenging Islam since she was 10 years old. She remembers her parents letting her two brothers go outside to play, while she was told to stay at home. When she argued, her parents said: "You are a girl. A girl has no right to go outside the house." It was, she recalls, her first experience of the discrimination between men and women which has since come to dominate her life.

She rebelled against that discrimination with a fury which eventually led thousands of fundamentalists to take to the streets of Dhaka. The storm she provoked has left many Bangladeshis uneasy about their country, which has long considered itself to be among the most tolerant of Moslem-dominated states.

For the rest of the world, Ms Nasreen's experience comes as an uncomfortable reminder of the Salman Rushdie affair. Now there are two writers whose pursuit of literary freedom has forced them to go into hiding. In each case, Islamic mullahs have questioned the primacy given in the west to freedom of speech and self-expression. They say such freedoms should not extend to the freedom to insult God.

This clash has certainly been in evidence in Sweden this week. Mr Mahmoud Aldebe, head of the Swedish Islamic Council, asked pointedly: "Why are only those who criticise Islam invited to Sweden, and not those who defend Islam?"

Swedish government officials, mindful that many of the country's 350,000-strong non-European immigrant community are Moslems, say they are sensitive to Islamic values. "But in the end the overriding issue is the desire to defend basic values of free speech and expression. That is why Taslima Nasreen was warmly welcomed here," said a foreign ministry official.

Ms Nasreen comes from a middle-class family in which she was encouraged to study. She followed her father in becoming a doctor. But she defied her parents' efforts to control her behaviour, for example, by talking to boys.

She married and divorced twice. Both husbands, she says, reneged on promises to respect her freedom. Both wanted their food cooked, their shirts washed, and their bodies massaged, she says.

She stopped practising medicine because, she says, she could no longer stand the screams of women giving birth to girls. It was a brutal reminder of the over-whelming importance placed in Bangladesh on the value of boys over girls.

At the same time, Ms Nasreen became increasingly involved in her writing, producing magazine articles, pamphlets and books – all aimed at promoting equality for women. She attacked Islam but only because, as she once said, "Islam gives women no freedom."

Her critics say she exaggerates the condition of Bangladeshi women. They argue that the country has a woman prime minister and a woman leader of the opposition. There are women doctors, lawyers and pilots. Women are the main beneficiaries of the country's largest charity, the Bangladesh Rural Advancement Committee.

Indeed much of the SKr250m (£20m) grant aid Sweden gives to Bangladesh every year is directed specifically towards women.

But this has not blunted Ms Nasreen's criticisms. The real issue, she believes, is the abuse of women. Girl babies are left to die while no care is spared to bring up boys.

The statistics suggest that Ms Nasreen has a point. For example, according to United Nations data, the literacy rate in Bangladesh for men is 47 per cent and for women only 22 per cent. This gap is common in the developing world but it is particularly wide in Moslem countries.

Initially, Ms Nasreen's efforts to highlight this anomaly in her writing attracted little attention outside the literary circles of middle-class Dhaka.

But in the early 1990s, Jamaat-e-Islami, the leading fundamentalist political party, singled out Ms Nasreen for attack. It whipped up a storm when she published *Shame* – a fictional account of how Moslems tortured a Bangladeshi Hindu family after the sacking of the Ayodhya mosque in India in 1992. *Shame* was banned in Bangladesh on the grounds that it might foment Hindu-Moslem violence. But it became a best-seller in India, where it was translated into English.

Suddenly, Ms Nasreen had become too important for the fundamentalists to ignore. There were repeated death threats and the government supplied a police guard. Ms Nasreen continued to court controversy. In May she gave an interview to an Indian newspaper in which she was quoted as saying the Koran needed revising. She later claimed she was misquoted but it was too late. Mrs Khaleda Zia, the prime minister, authorised Ms Nasreen's prosecution on a charge of promoting religious unrest. Ms Nasreen went into hiding for a month, emerged in public to appear in court, and fled Bangladesh, apparently with the tacit co-operation of government officials.

Many middle-class Bangladeshis believe Ms Nasreen has stupidly given fundamentalists a rallying cry in a country where they command little power. But now there is a risk that to appease the fundamentalists, the government may be forced to enact tough anti-blasphemy laws, including a death penalty.

Such laws would run counter to the Bengali tradition of tolerance, which dates back to the 19th century when Calcutta became the capital of British India and a melting pot of people and ideas, including atheism and feminism. Bangladeshis believe that even though Calcutta was lost to India, this tradition still thrives in their country.

However, fundamentalists in Bangladesh draw much of their support from poor and ignorant villagers – people who have hardly been touched by Calcuttan tolerance.

Stefan Wagstyl and Hugh Carnegy

Rwanda Crisis Appeal

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Whiff of tiffs if Ziff sells in a jiff

Louise Kehoe opens the covers of a US computer magazine publisher

The headlines in PC Week and PC Magazine, the flagship publications of Ziff Communications, are written for computerphiles: *PC Labs test 70 notebook PCs, ISVs ready usage-based licences, Trio dispensing cure for SNMP ills.* The covers feature machines rather than humans.

Yet these and Ziff's 13 other titles, all geared to specific segments of the computer market, are attracting attention from a new group of readers whose interests are in dollars and cents rather than bits and bytes: the world's largest publishing houses.

Ziff has been put up for sale by the three grandsons of William Ziff, its founder. Dirk, 30, Robert, 27, and Daniel Ziff, 22, are the heirs to about 90 per cent of the business which their father, William Ziff Jr, built into the pre-eminent US computer industry publisher.

"Publishing has been at the centre of our family's business interests for two generations," said Dirk Ziff last month. "But since our father's retirement last fall, Robert and I have realised that the company is not where we want to spend our careers. After consulting with our brother Daniel [a student at Columbia University] and our father, it was clear that we should focus where our skills and interests lie, in the investment field."

The proceeds of the sale will go into Ziff Brothers Investments, a budding firm founded by Dirk Ziff that holds stakes in real-estate investments and trades in equities and convertible securities.

The announcement came as a shock to industry observers and company employees, who had expected the Ziff brothers to retain ownership of the family publishing empire, even if they did not personally become involved in its management. There is "sadness, a sense of betrayal" among Ziff staff, said one senior magazine editor. Some have gone so far as to describe their feelings in a computer-style acronym – GLZ for "greedy little Ziffs".

However, the proposed sale has sparked excitement in the publishing industry. The bidding process, handled by the US merchant bank Lazard Frères, is reported to be attracting broad interest, particularly in Europe and Asia.

Reed Elsevier, the Anglo-Dutch information and publishing group which owns several other trade publication companies, including Boston-based Cahners Publishing, is seen as a likely bidder. This week Reed said it was considering making a bid to expand its presence in the US and was examining the Ziff group. It is expected to decide whether to make an offer next month.

K-III Communications Corp, the publisher funded and partly owned by financiers Kohlberg Kravis Roberts, as well as Hachette Filipacchi Magazines, the publishing arm of France's Matra Hachette, have also expressed interest. Two other potential bidders, International Data Group and CMP Publications, Ziff's direct competitors in the US computer trade press, have been ruled out by the Ziff brothers.

If sold as a whole, Ziff Communications could raise about $2bn, industry observers suggest. Some see the price going as high as $3bn. The company may sell at a premium because its magazine titles are the leaders in their field. "Ziff has set the pace in computer trade publications," said William Bluestein, a senior analyst with Forrester Research, a high-tech research firm.

Known in computer publishing as tough, hard-driving and ambitious, Ziff is far from a traditional publishing house. It is often described as a "yuppie company" that relies upon the energy and drive of hard-working, highly paid young editors and sales representatives. Its critics – and there are many – charge that Ziff is "bureaucratic" and "management-heavy". Few, however, can afford to ignore Ziff, a powerhouse in computer publishing.

Ziff's advertising revenues outpace its competitors. According to

Adscope, an advertising tracking service, Ziff publications took 34 per cent of US computer business advertising last year and in the first half of this year advertising sales in the group's seven US business titles reached $341.8m, up 8 per cent from the same period a year ago.

Ziff sold 50,000 pages of advertising worldwide last year, with 7,000 pages in PC Magazine alone, which has a paid circulation of more than 1m, according to the company. Ziff also publishes six computer magazines in Europe. Other ventures include a PC market research group, conferences and trade shows. The Information Access unit publishes industry information on CD-ROMs, while Ziff-Net, an online information service, offers PC users articles from the company's magazines as well as discussion forums and libraries of computer industry information.

Bidders for this cornucopia of businesses will have to move quickly, however. Ziff's 4,300 employees have been told to expect a buyer to be named by November 11, in time for the Comdex computer show in Las Vegas, one of the most important events of the year in the world of PCs.

This apparent haste worries some observers. "They seem to be in a great hurry to sell," said a Ziff magazine editor, who wonders if the Ziff brothers may have decided that the financial performance of the group has peaked.

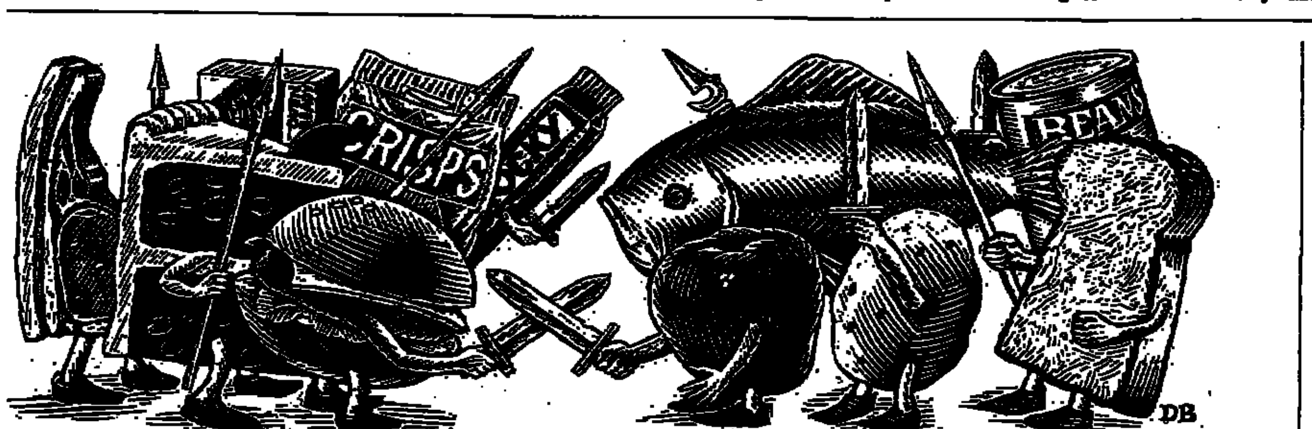
With the growth of the "home computer" market, PC makers are increasingly favouring general interest magazines and newspapers for their advertising. At the same time, competing trade publishers are targeting Ziff's market with publications that are narrowly focused on lucrative segments, such as purchasers of computer networking equipment and software. The company retorts: "Ziff is having a record year and the outlook for our business has never been brighter."

Yet Ziff has recently embarked upon some expensive and risky ventures. Interchange, a new online news service offering news from the Washington Post and several other newspapers and news agencies, faces fierce competition from established services such as America *Online and Compuserve*, as well as other entrants, such as Apple Computer's eWorld and a similar service that Microsoft, the computer software leader, is expected to launch this year.

Ziff's entry into the consumer market – with Family PC, a joint venture with Walt Disney, to be introduced this month, and Computer *Life, for "sophisticated consumers"*, scheduled for release in September – is also a gamble.

Another venture, launched yesterday, takes the company into television programming with four-weekly shows for computer buffs. "The pending sale of the company hasn't slowed us down one bit," Ziff boasts. Top management, including Eric Hippeau, chairman and chief executive, has reassured employees that it intends to remain with the company after the sale, and insists that a change of ownership will not put a crimp on Ziff's ambitious growth plans.

Whether a new owner will want to continue investing in the new Ziff projects, started by Mr Hippeau, is questionable. Keeping him and many of Ziff's key people on board will, however, require the current "hands-off" approach to be preserved, employees say. That may be a lot to ask on top of a premium sales price.



Food, inglorious food

Clive Cookson on a row over government eating guidelines

An apple a day keeps the doctor away. Eat your greens. A little of what you fancy...

The dietary advice given by these ancient adages seems as fresh as ever today. And it puts into perspective this week's row over plans by the UK government to issue detailed new guidelines for healthy eating.

The food industry is lobbying the Department of Health to tone down draft recommendations circulated by its Committee on Medical Aspects of Food Policy (Coma), which it says are far more specific than current scientific knowledge would justify.

Coma proposes, for example, that people should halve their weekly consumption of cream from today's average of one tablespoon to half a tablespoon. They should eat only one or two biscuits a day, rather than four today. And they should allow themselves only three-quarters of a chocolate bar a week.

On the positive side, potato eating should increase from two to three "egg-sized potatoes" a day. And people should consume more daily bread: four and a half slices rather than three today.

Mr Dominic Cadbury, chairman of Cadbury Schweppes, says he recently went with the leaders of other UK food manufacturers to tell health ministers of their concern at the way the government's nutritional policy was developing. "The government is telling people what they should eat – and there is no scientific or medical justification for that," he says. "It is now taking the level of 'guidance' to absurd levels."

Consumer groups, however, support the efforts by Coma and other government health bodies to give the public more specific dietary advice.

"People have got the basic message that they should eat better food, but for some reason they're not doing so," says Ms Jeanette Longfield, co-ordinator of the National Food Alliance, an umbrella organisation comprising 50 groups from the National Farmers Union to the British Heart Foundation. "Coma is trying to give people more specific guidelines – which can only help them."

Critics of dietary guidelines have made much of the apparent disagreement between specialists about what makes a healthy diet – and of the way nutritional fashions change over time. But Dr Mike Rayner, a researcher in Oxford University's Department of Public Health and Primary Care, says uncertainties have been exaggerated.

"There are still areas of doubt – for example about the benefits of eating more fibre and cutting down on sugar – but there are also conclusions which have not changed for many years," he says. "One is the need to cut down on fats."

Dietary targets have conventionally been couched in terms of nutrients. For example, an influential 1992 white paper said the percentage of food energy derived from all fats should be cut by 12 per cent by 2005 and the percentage from saturated fatty acids should be reduced by 35 per cent.

Consumer pressure groups argue that nutrient guidelines must be translated into more comprehensible advice about food servings. "It's harder to be prescriptive about foods than nutrients because portion sizes vary," Dr Rayner says. "But messages about nutrients haven't worked because people don't really understand them. A new approach is needed, even if the food guidelines are not scientifically perfect."

In the US, there is greater consensus about dietary guidelines than in the UK. "There was much controversy during the 1970s but that has died down and now the argument is just about details," says Dr Paul Thomas, nutrition project director at the Institute of Medicine in Washington.

The Human Nutrition Information Service, run by the US departments of health and agriculture, publishes a Food Guide Pyramid which goes further than anything issued by the UK government. The Pyramid has building blocks corresponding to the main food categories, each with a recommended daily intake.

The "bread, cereal, rice and pasta group" forms the Pyramid's broad base, with 6-11 servings a day. Recommended guidelines for fruit and vegetables are 2-4 and 3-5 servings respectively. For fats, oils and sweets – the foods at the tip of the Pyramid – the recommendation is "use sparingly".

Dr Thomas says the US industry "varies in its enthusiasm" for dietary guidance of this sort but is not campaigning actively against it.

The UK equivalent of the Pyramid is the Plate, launched last month in a Health Education Authority leaflet. It does not explicitly recommend how much to eat, though it says that the proportions of different foods on the Plate reflect the balance people should aim for. Fruit and vegetables take up 30 per cent of the plate, while fatty and sugary foods are squeezed into 10 per cent.

For Mr Cadbury and other UK food manufacturers, the Plate principle is unacceptable.

Why then do nutritionists think it is worth trying to influence what people eat? Because statistics show that at least a fifth of all deaths are linked to diet, says Dr Sheila Bingham, senior scientist at the Medical Research Council's Dunn Nutrition Centre in Cambridge. The best estimate is that 30 per cent of heart disease in the UK is caused at least partly by what people eat.

The nutritional picture is not wholly gloomy. The rapid rise in sales of skimmed milk, low-fat dairy products and lean meats shows that the message is getting through to increasing numbers of people.

At the same time, however, consumer groups point out that the ever increasing availability of cheap, unhealthy manufactured foods means that people need more and more information and willpower to eat well.

Ultimately, genetic research will probably come to the rescue. Within 20 years, it may be possible to test everyone for genes that make them susceptible to particular diseases related to diet. If so, nutritionists will be able to abandon their general messages and formulate a healthy diet for each individual. Until then, the sensible course is to ignore food fads and follow the maxim that variety is the spice of life.

Why the players complain it just ain't cricket

The strike could wipe out America's baseball season, says **Jurek Martin**

Thursday night in Baltimore was fit for the end of the world or the baseball season, whichever matters most. With thunder and lightning offstage, the downpour began gently enough ("English rain," said the man in the seat behind), but soon assumed biblical proportions. The Baltimore Orioles and the Boston Red Sox struggled into the third inning before the umps called for the tarp and nearly three hours later they called it a night.

There was no "make-up" game yesterday. In fact no major league baseball was played anywhere in America yesterday, nor may it be for the foreseeable future. After Thursday night's finale and with 50 days still to go in the regular season, 672 professional players from 28 teams walked out on strike. It is quite possible that no World Series, the ultimate championship, will take place in October, the first such gap in the peacetime autumnal calendar since 1905.

This is the eighth labour dispute in America's national sport in the last 22 years and undoubtedly the most serious since 1981, when nearly two months were lost in mid-season. Though it has been coming a long time – the players and owners have had no contract since last year – it casts a long pall. A season that had more than its usual share of magic on the field has been cut short.

The dispute pits two so far immovable forces – 28 team owners versus a players' association (union). The owners, probably the only cartel in America with congressional exemption from the antitrust laws, claim the financial stability of the sport is in jeopardy; the players, with many hard-won contractual victories under their spikes, suspect the owners want to reinstate labour servitude.

The strike is, of course, all about money but, because it is baseball, the most subtle of all sports, it is much more complicated than mere player pay. This one is essentially about a concept known as the "salary cap", already in use in American football and basketball. The ceiling is not on the individual contract but on total team payroll. If a superstar is paid a fortune, then savings have to be made elsewhere on the playing roster.

The idea stems from the desire of the owners to reach a different revenue-sharing agreement with the players from the 50-50 split in effect under the expired contract. The owners contend that as many as half the teams now operate at a loss, but since no team books are open for inspection this is impossible to verify. Cynics point out that, if even a smallish franchise can change hands for $125m, as the Seattle Mariners did in 1992, it is unlikely to be a money loser.

What the owners have never been able to do is agree among themselves how to

Babe Ruth: hero of a bygone era

iron out the revenue differences between big city teams with vast TV revenues, like Ted Turner's Atlanta Braves, which are able to afford a $54m a year payroll, and those pushed to find even a third of that sum. Ironically, the team with the best playing record this year, the Montreal Expos, has only an $18.5m payroll, the second lowest after the $15.5m of the San

> The fact that a top player stands to lose $31,148 per day's work does not cause the suffering faithful to weep buckets

Diego Padres. The players argue that they should not be forced to suffer from the owners' inability to settle their own problems.

But public sympathy is not exactly with the men who play the game. The average major league salary now stands at $1.2m a year, nearly a tenfold increase in the last 14 years. The fact that Bobby Bonilla of the New York Mets stands to lose $31,148 per day's work does not exactly cause the suffering faithful at Shea Stadium to weep buckets, given their own take-home pay. There might be more feeling for those on the annual minimum wage ($109,000), though many of them have been sent down to the minor leagues to keep playing – and to be paid for it.

But economists are urging the players to stand fast. Henry Aaron (of the Brookings Institution, not *the* Henry Aaron who *hit 755 home runs*) wrote this week that the owners' plan was nakedly designed to increase team revenues at the expense of salaries without guaranteeing that profits would then be distributed among the poorer teams. Baseball, he concluded, "is financially and competitively alive and well".

It is in fact only a medium-sized business. Its estimated annual revenues of about $2bn put it on a par with, for example, Dell Computer and the New York Times. The strike will mostly hit local economies (about 2,000 are employed directly and indirectly whenever the Orioles play at home), but will not exactly be a factor in Fed monetary policies.

Still, baseball was on a roll, with this year's attendance projected at 70m. Marvellous new stadiums in Baltimore, Cleveland, Chicago and Arlington in Texas and popular new teams in Colorado and Florida have attracted vast crowds (an Orioles ticket is like gold dust) and done much to revitalise decaying downtowns.

Above all, this season had threatened to be one for the ages. All the six realigned divisions have been competitive, even if the two in the west have competed mostly to be awful. Individual records were under serious attack, like the 61 home runs hit by Roger Maris in 1961. Perhaps the juiced-up baseball has been a factor but, as of Thursday night, Matt Williams of San Francisco, with 43 dingers, was exactly on Maris's pace, with Griffey, Thomas, Bonds and Belle not far behind. Tony Gwynn of San Diego was batting .394 with a fair chance of being the first since Ted Williams in 1941 to hit the magical .400 mark (that is, four hits in every 10 official times at bat). On the pitching side, Maddux, Mussina, Key and Cone were all at their artful best, while Kenny Rogers of Texas pitched only the 12th perfect game (no runner reaching base) in the history of baseball.

There were glimmers of cracks in owner solidarity on Thursday night, but little optimism from the players. Ben McDonald, the Oriole pitcher, was asked if President Bill Clinton might intervene, as he has contemplated. Big Ben, who might have heard about the crime bill failure in Congress during the rain delay, acidly replied: "He can't take care of his own business, much less ours."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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A Don Quixote to be remembered for all the right reasons

From Mr Jörg Schimmelpfennig.

Sir, Having seen the Royal Ballet's production of *Don Quixote* first during its original run in 1993 and a further two times during this year's summer season, I still cannot agree with Clement Crisp who in his latest biting attack opted for "bloodbath" ("Coppélia", August 12). The Royal Ballet's reading of the the text is much more in line with the tradition of classical ballet than a first glance suggests. One has to remember that, in the 19th century, ballet music, to use Konstantin Skalhovsky's fitting comparison, was supposed to enliven the dance as colour enlivens a drawing. Marc Thompson's witty, though admittedly unusual, designs are but a natural extension of this view. Instead of competing with the dancing it positively encourages the eye – and the mind – to concentrate on what ballet is all about. And what wonderful dancing it was.

When this ballet was shown for the last time a fortnight ago Fiona Chadwick and Zoltán Solymossi, as Kitri and Basilio respectively, gave one of the most inspiring performances I have ever seen. Their sparkling *pas de deux*, flashing variations and a joyous finale was classical dancing at its very best. The audience was still captivated long after the last of a seemingly endless number of much deserved curtain calls.

With respect to the supporting roles, Nicola Tranah – in much the same way as Rachael Whitbread on the previous night – proved the casting policy absolutely right with a beautiful and highly lyrical reading of the Queen of the Dryads. Jane Burn and Belinda Hatley (Ann De Vos on Friday night, respectively) showed joyful dancing just as it is supposed to be done.

A *Don Quixote* to remember for all the right reasons!

Jörg Schimmelpfennig,
Natruper Str. 1009,
D-49076 Osnabrück, Germany

Respectable return on use of consultants

From Sir Peter Levene.

Sir, I read with interest the letter from Barry Reamsbottom (August 9), who, I fear, has *misunderstood* both the Efficiency Unit scrutiny report on external consultants and the recent white paper on the civil service.

The scrutiny reported that much of the work undertaken by external consultants was linked to the requirements of government programmes such as road planning/building, weapons systems design, etc, rather than simple cost-cutting exercises. Of the £12.2m direct savings identified in the report, the expenditure generating this figure was less than £3m (*in itself a respectable return*) and not the £508m total spend on external consultants.

The "market testing", or more correctly competing for quality, programme to which Mr Reamsbottom refers somewhat disparagingly is on course to have covered some £2bn worth of activities before the end of this year, with savings in the majority of cases of more than 20 per cent being achieved by the winning bids. This is true where an outside contractor has won or where the work has been won by an in-house team.

Far from being discontinued, as Mr Reamsbottom suggests, the civil service white paper incorporates this technique for all departments to employ along with other efficiency measures that they are taking. The white paper makes clear that departments will continue to publish their intentions and report achievements against their commitments.

The scrutiny on external consultants was not launched either to defend or castigate external consultants, but rather to show how government can improve its procedures when using them. This, I believe, it has done. The intention, as with market testing, is to ensure that the taxpayer's money is not wasted.

Peter Levene,
prime minister's adviser on efficiency,
Efficiency Unit, Cabinet Office,
70 Whitehall,
London SW1A 2AS

Repellant for some, but ferociously effective for vikings

From Måns Lönnroth.

Sir, You reported ("Man bites midge", August 6/7) that the bog myrtle, "one of the least productive features of the Scottish Highlands", now is ripe for exploitation as a base for a natural insect repellant.

There is another use for bog myrtle. As a herb, it can be used to spice vodka to a rich and full flavour. A glass jar, say half a litre size, is filled with the spring leaves of the bog myrtle, after which the leaves are drenched in vodka. After some four days the essence is separated and the leaves thrown away. The essence should then be poured into fresh vodka to the proportion of 1:10.

The legend has it that the vikings also used to spice their beer with bog myrtle, which was said to make them especially ferocious. Or perhaps they used it as a repellant.

Måns Lönnroth,
Iversonsgatan 2,
11430 Stockholm,
Sweden

Tantalising the taste buds

From Ms Clare David.

Sir, I read your article on the ever-increasing pretentiousness of today's cuisine served by modern-day caterers with sympathy and horror ("Awful lapse in taste", August 8). It is true that dishes are now becoming more and more complicated, with a myriad of ingredients fighting for first place in the "guess what you're eating" competition.

However, certain continental cuisine – especially Italian – concentrates on allowing one flavour to tantalise the taste buds rather than bombarding them with hot, cold, sweet and sour all in one go. The fresh taste of basil comes shining through in the simple yet delicious Ligurian dish of *Tagliatelle alla Pesto Genovese,* although some philistines do distort the recipe to include parsley and potatoes!

Other sauces, like *pastasciutta,* again focus on one main ingredient such as the mighty mushroom, the esoteric artichoke or the unassuming olive and, stirred into some freshly cooked pasta, create a delicious and unpretentious dinner.

Perhaps seeking out genuine Italian dishes is the secret of a happy, hearty meal...?

Clare David,
Sacla UK,
Park House, High Street,
Colnbrook, Berkshire SL3 0LX

Customers of no concern?

From J Rowbottom.

Sir, In "Yorkshire Water accepts price set by Ofwat" (August 3), you quote the company chairman as saying: "If she [Mrs Diana Scott, a former regulator seeking a seat on the board] wants to look after the interests of the customers the board of the plc is not the place to do it."

As a captive customer of Yorkshire Water, am I to infer that consideration of customers' interests is not a matter for board concern? Has the company learnt nothing, one wonders?

J Rowbottom,
Fairmount,
Queen's Drive Lane,
Ilkley, West Yorkshire

Persil increases market share and overtakes Ariel in 'soap wars'

Unilever edges ahead by 4% to £1.06bn

By Neil Buckley

Unilever has increased its share of the washing powder market in the UK and France in spite of the "soap wars" raging over its newly-launched Persil/Omo Power detergent.

The Anglo-Dutch food and consumer products group announced this yesterday while revealing better than expected second quarter pre-tax profits up 4 per cent from £590 to £611m. That took the figure for the first half to end-June to £1.06bn (£1.03bn)

The shares jumped 55p to £10.97p.

Figures from Nielsen, the market research group, showed that the group's Persil brand had increased its overall UK market share from 27 per cent to 28.2 per cent since the launch of Persil Power – known as Omo Power outside the UK and France – in April.

The market share of rival group Procter & Gamble's soap powder Ariel had fallen from 29 to 26.4 per cent in the same period.

Ariel retained the lead in the concentrated powder market with 10 per cent, but Persil's share had increased from 6 to 9 per cent.

Unilever has been engaged in a propaganda battle with Procter & Gamble over the latter's claims that Persil/Omo Power could damage garments.

The controversy meant sales of the new product had been disappointing in Scandinavia, Switzerland and the Netherlands. Unilever said, however, that sales were now improving in the Netherlands. Sales had been stronger in the UK and France. .

The group stressed that concentrated soap powder accounted for only 2 per cent of worldwide turnover, which had been boosted by strong performances in several markets.

Group sales for the second quarter and half year respectively were £7.67bn (£7.08bn) and £14.4bn (£13.5bn).

Sir Michael Perry, chairman, said he expected "a continuing improvement in trading conditions in our principal markets will lead to some further strengthening of our results".

In Europe, half-year operating profits increased from £654m to £685m on turnover of £7.84bn (£7.58bn). Sales of oil- and dairy-based foods declined, but sales of ice cream and Liptonice, the ready-to-drink tea product, were strong.

Sales and profits increased in the speciality chemicals business - supplying products such as flavourings, fragrances and adhesives to third parties - suggesting a pick-up in the economy.

North American turnover increased from £2.61bn to £2.8bn, with profits up from £100m to £104m. The food business improved, with stronger sales in oil- and dairy-based foods and pasta sauces.

Sales of ice cream increased significantly after Unilever acquired Kraft General Foods' ice cream business last year, but the price war continued to make conditions tough in detergents.

Profits outside Europe and North America were £346m (£318m) on sales of £3.72bn (£3.32bn), with strong performances in Brazil and India.

Earnings per share for the half year, at current exchange rates, were 36.13p (36.38p).

The interim dividend will be declared with the third quarter results in November.

See Lex

Nightfreight shows sharp jump to £1.35m

By Simon Davies

In its first set of results since coming to the market in May, Nightfreight, one of the UK's largest independent express parcel groups, yesterday announced pre-tax profits sharply up from £539,000 to £1.35m for the six months to May 31.

The shares reacted favourably to the announcement, rising 5p to 105p, matching the initial flotation price.

Turnover more than doubled from £9.31m to £21.8m during the period, although £11.9m of the increase came from the acquisition last November of PHS Group and Greenline.

Volume throughput from its core Nightfreight network showed a 19.6 per cent increase. Mr Russell Black, chief executive, said the bulk of the improvement came from new business, rather than existing customers.

Profits from continuing operations increased from £623,000 to £1.23m, with a further £540,000 coming from PHS and Greenline.

Since the flotation Nightfreight has opened a new depot in Lincoln, and it plans further expansion in Cheshire and the Scottish Borders. during the second half.

It also recently established a joint venture with Toga Freight, to give it access to the Irish market.

The company achieves the bulk of its profits during the second half of the financial year, and Mr Black said it was on target for its prospectus forecast of £4.5m.

Earnings per share emerged at 2.62p (1.54p) and an interim dividend of 1.13p is declared.

Cost savings behind Haden's 22% advance

By Tim Burt

Haden MacLellan Holdings, the diversified engineering group, yesterday announced a 22 per cent increase in interim profits as its wide-ranging restructuring and cost-saving programme began to pay off.

Despite intense competition in several markets, pre-tax profits for the six months to June 30 rose to £2.2m (£1.8m) on turnover of £171.8m (£152.7m). Operating profits increased 33 per cent to £2.8m (£2.1m). The shares closed up 5p at 84p.

The improvement was fuelled mainly by the process engineering and services operation in North America, where profits rose to £1.9m (£500,000) following record orders from the automotive industry and a two-year drive to reduce costs.

Mr Richard Taylor, group managing director, welcomed the results but warned that the group would have to focus on its core interests – including industrial fasteners, machine tools and paint finishing systems – if it was to achieve significant earnings growth.

"We've cut costs, but there's more to be done and we're looking at divesting non-core activities," he said.

The disposal plan is likely to focus on the manufacturing and distribution division, where profits rose only marginally to £400,000 (£300,000) on turnover of £44.2m (£40.9m).

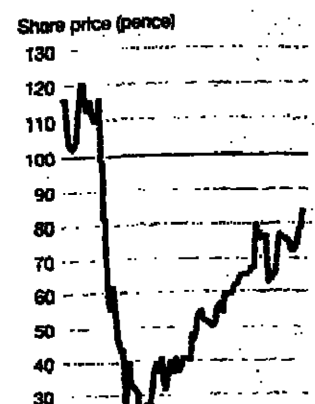
Although margins had improved, Mr Taylor said the market for the machine tool business "remained pretty dismal".

Its sluggish performance was offset partially by profits of £1.3m (£1.2m) in the fasteners business, which benefited from increased investment in new plant and facilities.

The £13m rights issue in March helped reduce net borrowings from £11.6m at the year end to £2.5m – equivalent to gearing of 14 per cent. "We've strengthened the balance sheet and restored our credibility as a global player," said Mr Taylor.

Earnings per share rose to 1.7p (1.3p); the interim dividend is held at 1p.

Haden MacLellan



Source: FT Graphite

Sizeable pay rises for Guinness directors

By William Lewis

Directors of Guinness, the brewing and spirits group which in March reported an 11.7 per cent fall in pre-tax profits for 1993, have been awarded pay rises of up to 13.6 per cent.

The rises, which took effect from the beginning of last month but will not be publicly revealed until publication of the company's 1994 annual report next year, coincide with Guinness bowing to shareholder pressure and abolishing directors' three year rolling contracts.

Three executive directors, including Mr Anthony Greener, chairman, have been put on three year fixed term contracts renewable every 12 months. However, Mr Brian Baldock, who is within three years of retiring, remains on a three year rolling contract.

The move brings Guinness in line with the demands of Mr Alastair Ross Goobey, chief executive of PosTel, the £25bn fund management institution.

Two months ago Mr Ross Goobey announced that PosTel would be voting against the election of directors who have rolling contracts longer than two years.

PosTel's initiative was taken after mounting frustration at large pay-outs to directors when they are forced to resign. In its most recently published report and accounts, for the 1993 year, Guinness revealed that it had agreed to pay £670,000 to Mr Crispin Davis, an executive director until his resignation last October. Mr Davis had been on a three year rolling contract.

Guinness said that the move to fixed term contracts came after the company had "listened to shareholders". Just four months ago the company stated that it had no intention of amending the rolling contracts.

Three Guinness directors have had salary rises although the pay of Mr Greener has again been frozen at £600,000 – in line with an agreement he made with the company when he became chairman in January 1993.

The basic salary of Mr Philip Yea, finance director, rose by £30,000 – 13.6 per cent – to £250,000 while the pay of Mr Brendan O'Neill, appointed a director last April, rose from £240,000 to £270,000, an increase of 12.5 per cent. Mr Baldock's basic pay rose from £335,000 to £360,000 – an increase of 7.5 per cent.

The company said that the contract change and salary rises were both decisions made by the committee of non-executive directors. Its members include Sir Ian MacLaurin, chairman of Tesco, Mr Dominic Cadbury, chairman of Cadbury Schweppes, and Sir David Plastow, chairman of Inchcape.

Guinness stressed that accounting changes, including a £173m charge principally relating to goodwill, were behind the fall in pre-tax profits from £795m to £702m during 1993. On a comparable basis, however, pre-tax profit fell by 1 per cent – 4 per cent at level exchange rates– to £908m.

Howden expands in S Africa

By Peter Franklin

Howden Group, the Glasgow-based engineering company, has expanded its South African operations with the acquisition of Donkin Manufacturing and a number of associated companies for £4.6m cash.

There will be a further cost of about £500,000 for rationalisation and reorganisation.

The businesses being acquired are involved in the design and manufacture of fans and air handling units for the industrial and mining market in South Africa. They had a combined turnover of £10m in the year to June 30.

The activities will be integrated with the existing operations of Howden Group South Africa.

Howden also completed the amalgamation of its US subsidiary, Pneu Devices, with FCD Corporation, a Connecticut-based manufacturer of military environmental control systems and pumps, which it acquired in May.

The purchase price and the cost of combining the businesses is estimated at £4.5m.

To finance these acquisitions Howden is raising some £9.56m before expenses by the issue of 10.2m new ordinary stock units of 25p each.

The issue has been conditionally placed by Allied Provincial Securities with institutional investors at 93¾p apiece.

Deputy confirmed in top job at Harrods

By Neil Buckley

Harrods, the London department store, has appointed Mr Clive de Boer as managing director.

Mr de Boer, 54, has been acting managing director since April when his predecessor, Mr Peter Bolliger, made a controversial exit from the store.

Mr de Boer joined the store in 1964 as a sales assistant in the table and ovenware department He served at every level of management, and was merchandise director before being appointed deputy managing director in 1992.

Mr de Boer said yesterday he was delighted to become managing director when Harrods was on the "threshold of new and exciting developments in Knightsbridge and in Harrods International".

L&G Ventures trust will invest in MBOs

By Richard Gourlay

Legal & General Ventures, the venture capital group, yesterday announced it was creating an investment trust which would invest primarily in companies recently floated by management buy-out and buy-in teams.

Legal & General is focusing on this set of companies because research suggests former MBO and MBI companies have out-performed the stock market since 1987.

The new vehicle will be the first investment trust to focus almost exclusively on former MBO and MBI companies.

Earlier this year L&G Ventures launched the first trust exclusively investing mezzanine finance in unquoted companies.

To create the new vehicle, L&G Ventures is taking over the management of an existing investment trust, Group Development Capital Trust, which invested in unquoted companies but now has most of its assets in cash and gilts.

The new investment policy will direct 75 per cent of Group Development's assets into listed MBOs and MBIs and the other 25 per cent into unlisted MBO and MBI companies which are likely to float.

Mr Charles Peal, managing director of L&G Ventures, said recently floated MBOs and MBIs were attractive investments because typically they were focused businesses with strong leadership and strict financial controls.

SG Warburg is making a cash offer to shareholders of Group Development. The cash offer will give shareholders 97.5 per cent of the value of Group Development's assets.

At the same time, L&G Ventures hopes to raise up to £25m through a placing and offer of subscription units which will give the right to be allotted new ordinary shares and warrants.

The placing and offer for subscription are conditional on a minimum subscription of £10m being achieved. If this level is not reached, L&G Ventures will still take over Group Development.

Mr Peal said using an existing investment trust was a much cheaper way of raising capital. Legal & General Assurance Society already holds 26.5 per cent of Group Development.

Plantsbrook shares rise 48p

Shares in Plantsbrook, the UK's largest quoted funeral group, surged by 48 per cent yesterday on news that Service Corporation International had acquired a 3 per cent stake, and was buying more shares, writes Simon Davies.

Plantsbrook claimed it had no warning of the purchases, and had no communication as to the intentions of the US funerals group.

Investors, however, reacted with enthusiasm, following the SCI bid for Plantsbrook's only listed rival, Great Southern Group, which resulted in an offer 63 per cent above the pre-bid share price.

At yesterday's closing price of 148p, the market capitalisation of Plantsbrook (including convertible shares) is £163m, but at this stage, there is little expectation of a bid.

SCI has indicated that it was concerned that its main competitor, Vancouver-based Loewen, might be planning a raid on Plantsbrook shares, and this move was implemented to pre-empt that.

Welded mesh potential offered in Vietnam

Mr Bill Gregory was appointed general manager in July last year of BRC Weldmesh (Vietnam), jointly owned – through Singapore based BRC Weldmesh (SEA) – by Hall Engineering and BHP, the Australian steel and resources group, writes Andrew Baxter.

"Some people say we're here a little bit early. But if we'd waited another year before we'd started, we'd be too late. The potential is enormous," he says.

The venture is the most ambitious step so far in Hall's regionalisation strategy. Operating from an old US military base in Ho Chi Minh City, the company, which began production this spring, has a dual role.

Using imported steel and production equipment, it is producing bar chairs – spacers used in welded mesh – for export to Singapore and Hong Kong.

But Mr Gregory is also trying to develop a local market for welded mesh to reinforce concrete, and introduce a low cost housing system based on the European "lattice girder" system of lightweight prefabricated concrete beam reinforcement and filler blocks.

Welded mesh costs a bit more than the mild steel reinforcing bar used in Vietnam, says Mr Gregory, but is much stronger, so less needs to be used.

"We're using up a lot of hard shoe leather, spending a lot of time on the ground," he says. "You need to establish a base here, and not just come in to make a quick killing."

Because of welded mesh's advantages, the Ministry of Construction in Hanoi has been "100 per cent behind us," he says. The company is even helping the government to develop astandards code for welded wire products.

Turnover is growing quickly from a standing start, but setting up the venture has not been easy. Finding the right employees was a problem, but the workforce of 25 is now performing well, says Mr Gregory.

Having got to grips with all the formalities of setting up a business in Vietnam, his seven-day weeks are now down to a mere five and a half, giving him time to spend on his martial arts hobby by teaching karate to young Vietnamese.

The returns from regionalisation

Andrew Baxter explains why Hall Engineering is expanding in Asia

TACKLING ASIA'S TIGERS

Singapore, as many visitors have noted, is an island state that seems to be run like a company. It is an observation that has a special relevance for Mr Richard Siew, managing director of overseas operations at Hall Engineering (Holdings).

"You can see government policy going in one direction, and you can more or less say that we will also be doing that as a company," he says.

In effect, the regionalisation which Singapore is urging the island's corporations to pursue, exploiting untapped opportunities and lower labour costs in neighbouring countries, is being mirrored at Hall.

Richard Siew (left) and John Kong: Singapore has been good to Hall and its shareholders

This is a new departure for Shrewsbury-based Hall, which is best known in the region for its constructional steel products. Elsewhere, it is also involved in automation pressings and production equipment and steel stockholding.

"We've been managing very successfully in Singapore on our traditional businesses," says Mr Siew, who took over his new Singapore-based post in May. "But although we've been established for a long time in the region, we have not accelerated in line with the explosion in growth in the region."

One of Mr Siew's key roles will be to help Hall step on the regional accelerator. Asia – principally Singapore – has been good to Hall and its shareholders, and accounts for the bulk of Hall's associated companies, which contributed £7.6m to overall pre-tax profits of £8.6m last year.

The contribution will be particularly useful this year following Hall's surprise announcement in May that its results this year would be "materially short of those for 1993" because of the postponement of part of a large European contract won by Stadco, the automotive engineering company, and margin pressure in the UK steel stockholding and steel reinforcement businesses. The news immediately depressed the share price by 71p to 169p, although it has since recovered to 179p.

Historically, Hall's two investments in the region are BRC Weldmesh (SEA), which makes welded steel wire mesh used to reinforce concrete, and BHP Lysaght (SEA) which makes roll-formed roof sheeting and cladding.

The two companies, which are joint ventures with BHP of Australia, have dominant market shares in Singapore – between 40 and 50 per cent for wire mesh and 80 per cent for metal roofing.

The position has been built up through successful marketing and product development during the construction boom in Singapore over the past 20 years. BRC Weldmesh, for example, pioneered the production of individual welded mesh tailored to architects' designs to avoid the need for cutting mesh at cramped construction sites.

Mr Siew believes it would be naive to expect quantum leaps in Singapore's economy that would enable these businesses to grow sharply in the next five years. Even so, the island state still offers opportunities. Mr Peter Hellweg, managing director of BRC Weldmesh in Singapore, hopes the company can benefit from ambitious public housing plans.

After a "huge price fight" in the early 1980s, profits are reasonable, he says, but the business needs careful managing. If profit margins became too high, it could draw new competitors into an industry where entry costs are low.

To maintain profitability – and in response to Singapore's relatively high labour costs and manpower shortage – production of spacers for the welded mesh has already been moved to Vietnam [see panel]. Mr Hellweg says production of more labour intensive fine mesh products may follow.

The regionalisation moves which Mr Siew is now accelerating for Hall are, broadly, of three types. First, expansion is under way in its traditional constructional steel businesses. Indonesia, with its 200m population, need for improved housing and spending on its infrastructure, offers "tremendous potential" for wiremesh and roll-formed products, he says.

PT BRC Lysaght Indonesia, another partnership with BHP, has been operating in Jakarta for 20 years and has recently opened a new factory in Surabaya to service the east Indonesian market. Other regional Indonesian markets such as Sumatra are being looked at.

Elsewhere, a BHP building products factory is due to open before the end of this year in Sri Lanka. It has been a classic policy of starting with exports, and building up the business until local manufacturing is viable, says Mr John Kong, general manager of BHP Lysaght (SEA).

Burma and Cambodia are being investigated.

The second type of expansion is in Hall's higher technology businesses such as automation, precision metal cutting and pressings. Malaysia's ambitious industrialisation strategy, and the emphasis on the automotive, petrochemical and aerospace industries make it a logical destination for this end of Hall's business.

The third type of expansion involves Hall's low-tech and high-tech businesses in unison, a tempting opportunity which, uniquely, is offered by China's economic expansion. Hall has done nothing yet in China, says Mr Siew, apart from exporting some mesh from Hong Kong, but he is hoping to change that.

The mesh market in China has hardly been tapped, he says, and the challenge will be to get it specified in preference to reinforcing bar (rebar), a rival method which helps provide employment on construction sites.

The main difficulty will be to find a suitable local partner, says Mr Siew, to help handle the formalities. "We are sending out feelers," he says.

At the high-tech end, Hall is following events in the automotive industry closely. Mr Siew is encouraged by recent legislative changes which show China wants to localise the supply of components to western manufacturers setting up car plants, and may also develop a national car. A joint venture between a car company and Stadco, giving it captive business, would be ideal, he says.

Mr Siew has not been set financial targets by the head office in Shrewsbury, but says: "It's quite clear that the big picture is to grow and develop this area. Look at the returns compared with elsewhere and common sense will tell you where to put your money."

A previous article in this series appeared on August 9.

Hall Engineering in Asia

Country	Company	Stake
Singapore	BRC Weldmesh (SEA)	50%
Singapore	BHP Lysaght (SEA)	25%
Indonesia	PT BRC Lysaght Indonesia	20%
Hong Kong	BRC Weldmesh (Far East)	50%
Vietnam	BRC Weldmesh (Vietnam)	50%
Sri Lanka	BHP Building Products	18.75%

NEWS DIGEST

Increased losses at Birkdale

Increased pre-tax losses of £4.53m, after exceptional costs of £1.75m, were announced by Birkdale Group, the advertising and marketing consultancy, for the year to March 31. Last time there were losses of £3.59m, restated for FRS 3.

Turnover improved from £20.2m to £22.7m including £7.35m (£7.33m) from discontinued operations and £1.24m from acquisitions.

The exceptional costs comprised of £715,000 for reorganisation including severance and redundancy costs and provisions of £1.04m for future holding costs of leasehold properties.

Following the rights issue last year, losses per share were cut to 7.7p (12.4p). The shares closed 1p lower at 7½p.

Engl & Caledonian

The Gartmore-managed English & Caledonian Investment lifted net asset value by 21 per cent – from 191.2p to 231.6p per share – during the 12 months to June 30.

Net revenue edged ahead to £200,000 (£192,000) for earnings of 4.46p (4.28p) per share. A proposed final dividend of 2.75p maintains the total at 4p.

MFI

Mr Derek Hunt, chairman of MFI, the furniture group, saw his pay packet cut by 75 per cent last year, because of the absence of a £1.3m management bonus on flotation.

His pay fell from £1.6m to £400,000, according to the annual report. The decline masked a 35 per cent increase in salary and benefits partly because of an £85,000 performance bonus.

Mr Hunt's salary and benefits, including the performance pay-off, increased from £271,000 to £367,000. Pension payments rose by 27 per cent to £33,000.

MFI reported pro forma pre-tax profits more than doubled, from £40.2m to £87.8m, on sales 9 per cent ahead at £659.4m, for the 53 weeks to April 30.

Fleming Enterprise

Net asset value at Fleming Enterprise Investment Trust was 208.1p per share at June 30, up from 201.6p a year earlier.

The trust, which seeks capital growth through investment in medium-sized UK companies, reported net revenue of £2.14m for the 12 months, against an adjusted £2.22m, equivalent to earnings of 5.35p (5.56p) per share.

A recommended final dividend of 3.4p makes 4.8p (4.7p) for the year.

Jupiter Intl Green

Jupiter International Green Investment Trust, managed by Jupiter Tyndall Merlin to seek long term growth through a portfolio of companies "demonstrating sound environmental practice", had a net asset value of 55p per ordinary share at June 30.

The figure represented a modest decline on the 58.71p of end-June 1993.

The value per unit – comprising one ordinary and one zero dividend share – improved from 110.52p to 112.64p.

Net revenue for the six month period amounted to £443,000 (£484,000) for earnings of 1.76p (1.92p) per share. The interim dividend is held at 1.7p.

Burlington

Burlington Group, the investment holding company, reported a net asset value at June 30 of 17.71p per share, after taking its investments at market value, down from 20.45p at end-December and 18.78p at June 1993.

Pre-tax profits for the six months to end-June improved to £72,000 (£64,000), helped by capital profits from a reduction in the fixed interest portfolio. Earnings per share emerged at 0.43p (0.39p).

The directors said they expected a similar outcome for the full year and sufficient earnings to cover a maintained dividend of 0.6p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Eng & Caledonian ......fin	2.75	Oct 22	2.75	4	4
Flem Enterprise ......fin	3.4	Oct 6	3.4	4.8	4.7
Haden MacLellan ......int	1†	Oct 31	1	-	2
Jupiter Green ......int	1.7	Sept 30	1.7	-	3.4
Nightfreight ......int	1.13	Nov 6	-	-	-
Portmeirion ......int	2.5	Oct 3	2.25	-	9

Dividends shown pence per share net except where otherwise stated. †On increased capital.

Metallgesellschaft warns on issue

By Christopher Parkes in Frankfurt

Shares in Metallgesellschaft's dropped sharply yesterday after it had issued a stern warning on the risks for shareholders in a DM1.4bn ($890m) capital raising issue which is central to its survival plans.

The subscription period for 5.6m new shares at DM250m will run from August 18 to September 1, the battered metals and engineering group announced yesterday. But at the official market close yesterday the shares were down DM16, or 7.7 per cent at DM190.50.

Pointing out that the issue price was higher than the current market rate of around DM200 a share, the company said the success of restructuring measures under way could not be definitely guaranteed.

The resumption of dividend payments could not be expected for the foreseeable future and investment in the shares carried an "increased risk", it added in an official statement.

The company said that although the future of the group could not be seen as conclusively assured, planned and partially implemented financial and restructuring measures were important prerequisites for the company's continuation.

The statement also noted an impending legal action in the US in which Horsehead Resource Development is claiming $500m damages in a fraud suit posted against MG's BUS Berzelius.

A further claim for the same amount by the sacked head of MG Refining and Marketing had no chance of success, according to advice from the group's US lawyers.

Meanwhile, MG is continuing its efforts to negotiate its way out of long-term oil contracts in the US which brought the company to its knees at the turn of the year.

For the near future, MG said group losses for the year to the end of September would be about the same as last year's DM2bn deficit, while "noticeable" effects of measures already taken would be felt in the current, final quarter.

Prospects for the remaining businesses, some of which are still to be disposed of, included further substantial losses at the BUS Berzelius environmental services business, which last year lost a net DM25m, according to yesterday's announcement.

Lurgi, which was carrying restructuring costs, would also make a loss.

Earnings at Lentjes would be lower than last year's DM19m, while profits would return to normal in the services businesses which were hit by extraordinary charges in the 1992-93 financial year.

Size of oil spill awards lifts Exxon shares

By Richard Tomkins in New York

Shares in Exxon, the US oil company, jumped $2 to $60⅛ yesterday after a Federal jury in Alaska decided the corporation should pay $286.8m in compensation to Alaskan fishermen whose livelihoods were hit by the Exxon Valdez oil spill disaster five years ago.

The market's favourable reaction resulted from the fact that the award was less than a third of the $895m the fishermen had asked for. More important, it raised hopes that the jury would later impose punitive damages at a much lower figure than the $15bn the plaintiffs had sought.

The jury's verdict was delivered late on Thursday in the second stage of a three-stage trial that began 15 weeks ago in Anchorage, Alaska.

The first stage came in June when the same jury found that reckless conduct by Exxon and Mr Joseph Hazelwood, captain of the Exxon Valdez, contributed to the ship's running aground shortly after it left the state's main oil port in March 1989.

In the second stage, the plaintiffs – about 10,000 fishermen – had sought $895m in compensatory damages, but the jury of nine women and three men decided after 23 days' deliberation that a much lower figure was appropriate.

It works out at about $28,680 for each plaintiff.

In the third stage of the trial, due to resume on August 22, the jury has to decide on punitive damages. If the fishermen's claim of $15bn were awarded, each would become a dollar millionaire.

However, after Thursday's verdict, Wall Street analysts were tentatively suggesting that the final settlement would be much lower.

Since the figure of $15bn was originally calculated as a multiple of the compensatory damages sought, there was speculation that the final figure for punitive damages might be reduced in similar proportion – in other words, to less than $5bn.

Axa buys Suez offshoot in Canadian expansion

By Alice Rawsthorn in Paris

Axa, one of France's largest insurance groups, plans to expand its North American interests by buying Boréal Assurances, the Canadian insurer, from Suez, the French financial and industrial holding company.

The acquisition of Boréal, which made net profits of C$12.2m (US$8.8m) in 1993 on sales of C$591m, will, according to Axa, turn it into the fourth largest insurer in Canada. The French group's existing Axa Canada subsidiary made net profits of C$17.3m last year on turnover of C$310m.

The announcement of Boréal's sale comes only a few days after completion of a complex deal whereby Suez sold most of its Victoire insurance business to Commercial Union of the UK for FFr12.5bn (US$2.33bn).

Axa, the second largest insurer in France, which already has a sizeable subsidiary in Canada as well controlling The Equitable, the US insurer, was initially mooted as a potential purchaser for Victoire.

However, it did not figure in the final stages of negotiations, having decided instead to concentrate on augmenting its international activities.

Although Axa and Suez have agreed the terms of the transaction, for an undisclosed sum, it is still subject to authorisation from the French and Canadian regulatory authorities.

Gérard Worms: eyeing financial services in Asia

The Boréal disposal forms part of an ongoing divestment programme at Suez, one of the largest and most varied of the classic French holdings which has for the past three years been attempting to streamline its assortment of industrial and financial interests.

Mr Gérard Worms, chairman of Suez, said last week that the group, which has raised FFr35bn from disposals over the past three years, now plans to expand in specific sectors, notably within financial services in Asia.

Axa, chaired by the flamboyant Mr Claude Bébéar, has also made no secret of its Asian ambitions. It recently secured provisional authority to set up a life insurance business in Japan and announced plans to invest US$200m in the venture over the next five to seven years.

SAS Hotels in link with US group

By Michael Skapinker, Leisure Industries Correspondent

Radisson Hotels International of the US said in Stockholm yesterday it had concluded an alliance with SAS International Hotels, the wholly-owned subsidiary of Scandinavian Airlines System.

Under the agreement, 30 SAS hotels in Europe, Kuwait and China will be renamed Radisson/SAS. An additional SAS hotel now being built in Hanoi will also be named Radisson/SAS when it opens in 1996.

The deal does not involve any change of ownership or equity in either organisation. SAS hotels will continue to operate under its current management, with headquarters in Brussels.

Radisson is part of Carlson, a privately-owned group which also owns restaurants and travel agencies.

SAS will have the exclusive right to develop Radisson hotels in Europe. The companies said they hoped to add another 60 hotels to the Radisson/SAS network by the end of the decade. The hotels will be included in the Radisson international reservations system.

Following the announcement, SAS hotels said it would end its co-operation with Swissôtels. Radisson will terminate its agreement with Mövenpick Hotels.

Charter delays intentions on Esab until bid count completed

By Hugh Carnegy in Stockholm

Charter, the UK industrial group, said it would announce on Monday its next move in its bid for the Swedish welding group Esab after it failed to achieve a complete takeover by yesterday's deadline.

The British company said it was awaiting the final outcome of its offer before making any public statement about its intentions.

Although Charter's Swedish advisers were still counting the returns from small shareholders last night, it was already certain it had failed to achieve the 90 per cent acceptances set as a condition of the bid.

Charter's options include increasing the £260m ($403m) bid, as many Swedish shareholders anticipate, holding with the majority stake it is already assured of or dropping the bid altogether.

A full takeover at the original offered price of SKr345 per share was stymied earlier this week when five Swedish institutions with 20 per cent of Esab's voting capital rejected the bid. This was despite the fact it was recommended by Esab's board and accepted by Incentive, the Wallenberg family industrial group and Esab's controlling shareholder.

Before yesterday Charter was assured only of 53 per cent acceptances, made up of 48 per cent held by Incentive and 5 per cent it had earlier purchased in the market.

The institutional shareholders rejected the bid as underpriced following a sharp rise in Esab's share price since the offer was made in June and a big rise in Esab's profit forecast for this year.

Shell in Texaco additives talks

By Richard Tomkins

Texaco, the US oil company that is going through a big restructuring, appears to have found a buyer for its worldwide lubricant additive business in the shape of Shell Oil, the US arm of the Royal Dutch/Shell group.

Two Shell Oil subsidiaries, Shell Chemical and Shell International Chemical, said they were in exclusive negotiations with Texaco to buy the lubricant additive business with a view to merging it with their own chemicals operations.

No price was disclosed, but the business had earlier been valued at about $200m.

Lubricant additives are used to enhance the performance of automotive and industrial oils. Texaco's three plants – in Port Arthur, Texas, Rio de Janeiro, Brazil and Ghent, Belgium – make additives for automotive transmission fluids, motor oil, tractor hydraulic fluids and various types of gear oil.

The business came on to the market in April this year when Texaco sold its chemical business to Huntsman Corporation of the US. Huntsman originally agreed to buy the entire business for $1.06bn, but instead paid $850m and asked Texaco to help it find a buyer for the lubricant additives segment.

Since then Texaco has announced another restructuring involving 2,500 job cuts and the sale of half its US oilfields.

Caterpillar set for record quarter

By Laurie Morse in Chicago

Caterpillar, the international heavy equipment and engine producer, which is in the middle of a prolonged strike, reported yesterday that its July sales were up 20 per cent. Thus the company was on target for a projected record third quarter.

A Caterpillar spokesman declined to specify which of its divisions were experiencing the strongest sales growth.

The company has said that if the strike continued through the third quarter, some sales might be shifted into the fourth quarter.

Members of the United Autoworkers Union walked out at Caterpillar on June 21 in a dispute over working conditions. The union has, however, been sparring with the company since November, 1991, when workers who were seeking new contract terms conducted an unsuccessful five-month walkout.

With no talks on the latest dispute planned, there have been rumours that Caterpillar's production schedules would be curtailed.

But yesterday it maintained that it "continues to believe the labour situation will have minimal impact on sales and profit for the full-year 1994 even it the current strike continues".

Caterpillar says it has been able to meet planned production schedules, despite the dispute, a point that has been confirmed by some of its major customers.

The strike hit just as the company's two main industries – engine assembly and heavy equipment manufacturing – were enjoying a robust rebound.

US diesel engine production was up 40 per cent in the first half of the year, while production of construction equipment rose 16 per cent.

BHP seeks approval for iron plant

By Nikki Tait in Sydney

Broken Hill Proprietary, the Australian natural resources group, yesterday said it was seeking environment approval to build a direct reducted iron (DRI) plant in Western Australia's Pilbara region for more than A$750m (US$551.4m).

While the move does not mean BHP has decided to go ahead with the project, it does indicate that final feasibility studies are in progress.

BHP stressed that board approval for the plant, negotiation of "satisfactory" natural gas supply and price arrangements, and "successful completion of definitive engineering and economic feasibility studies" were still required.

But if these conditions were met, construction of the plant near Port Hedland, about 1,200km north of Perth, could start in the middle of next year and be completed by 1997.

Capacity would be around 2m tonnes a year of hot briquetted iron (HBI). The DRI process involves the reduction of high grade iron ore concentrate using natural gas. The iron produced is made into small briquettes, which can be fed directly into the new generation of mini-mills.

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	Bonus 90	6.80	6.80	5.10	5.10	Yrly	Tiered	6.50/6.20/5.90/4.50
	Tessa	6.40	6.40	-	-	Yrly	10	28 days notice/month inc. ac
	Midas	5.65	5.65	4.24	4.24	Yrly	Tiered	5.00 £10K/5.40 £25K/5.65 £50K instant access
	Instant Access	4.50	4.50	3.37	3.37	Yrly	Tiered	4.15/3.95/3.85/3.75/0.25
Barnsley	Sterling Bonus	7.00	7.00	5.25	5.25	Yrly	100,000	120 day notice or 30 day penalty.
Birmingham Midshires	Quantum High Int	6.35	6.25	4.69	4.74	½Yrly	50,000	Instant access above £10K
(0645) 720721	First Class Int	6.75	6.75	5.06	5.06	Yrly	100,000	Instant access no penalty
Bradford & Bingley	Maximiser Special Asset	5.00	5.00	3.75	3.75	Yrly	5,000	Tiered interest monthly income available
	Maximiser Special Asset	6.00	6.00	4.50	4.50	Yrly	10,000	Tiered interest monthly income available
	Maximiser Special Asset	6.40	6.40	4.80	4.80	Yrly	20,000	Tiered interest monthly income available
	Maximiser Special Asset	6.70	6.70	5.03	5.03	Yrly	40,000	Tiered interest monthly income available
	High Return II Tessa	6.60	6.60	-	-	Yrly	9,000	Special Feeder Account - 6.60% gross p.a.
Catholic (071-222 6736/7)	Jubilee Bond	6.55		4.91		Mthly	30,000	90 Day £2K+ 6.30%/4.72% net.
Century (Edinburgh) (031 556 1711)	"A" Shares	7.00	7.00	5.25	5.25	Annually	100	Guaranteed Fixed Rate
	Ordinary	5.06	-	-	3.785	½ Yrly	1	Instant Access. No Penalties
Cheltenham & Gloucester	The London Account	5.45	5.45	4.09	4.09	Yrly	2,500	Instant access postal deposit account
(0800 717505)	Best 90 (Closed issue)	7.00	7.00	5.25	5.25	Yrly	100,000	Closed issue. £50k 6.75% £25k 6.50% £10k 6.00%
City & Metropolitan	Super 60	-	6.40	4.80	-	Yrly	10,000	Withdrawals at only 60 days notice. 5.80% from £500.
Halifax*	Premium Xtra	-	7.00	5.25	-	Yrly	100,000	Gross rates include 0.25% annual gross bonus payable
	Premium Xtra	-	6.75	5.06	-	Yrly	50,000	where no withdrawals occur. One withdrawal up to
	Premium Xtra	-	6.50	4.88	-	Yrly	25,000	£5,000 per mth where £10,000 remains. Different interest
	Premium Xtra	-	6.20	4.65	-	Yrly	10,000	rates apply to non-personal accounts (eg co., club or charity a/cs)
	Tessa	6.00	6.00	-	-	Yrly	50	5yr term incl 2 bonuses
Leeds & Holbeck (0532 459511)	Capital Bond	7.10	7.10	5.33	5.33	30 April	150,000	90 days notice/penalty. Monthly income option also available
	Tessa	6.50	6.50	-	-	1 Jan	1	No transfer restrictions or charge. Loyalty bonus ½% extra year 5
	Gold Access	5.15	5.15	3.86	3.86	1 Jan	£50,000	No notice no penalty
Leeds Permanent (0532 438181)	Bonus Gold	7.00	7.00	5.25	5.25	Annual	100,000	Includes an interest bonus of 0.50% G p.a. provided no withdrawals
	Bonus Gold	6.81	6.81	5.11	5.11	Mthly	100,000	made during previous 12 month period. Tiered rates from £10,000.
	Liquid Gold	5.10	5.10	3.83	3.83	Annual	25,000	Instant access no penalty. Tiered interest rates from £25
	Solid Gold	6.00	6.00	4.50	4.50	Annual	50,000	Instant access, no penalty on min of £10,000. Otherwise 90 days
	Solid Gold	5.84	5.84	4.38	4.38	Monthly	50,000	notice or 90 days loss of interest. Tiered interest rates from £500.
Marsden (0282 692821)	Rainbow 60	7.00	7.00	5.25	5.25	Annually	100,000	60 days notice
	Rainbow	5.50	5.50	4.12	4.12	Annually	25,000	Instant access
Newcastle (091 232 6676)	Nova Plus Special	5.10	5.10	3.83	3.83	Annual	200,000	Instant access
	Nova Star (Issue VII)	6.50	6.50	4.88	4.88	Annual	5,000	No wdls during 12mth term thereafter at 90 days notice. (or int acc with 90 days loss of int).
	Nova Five	8.00	8.00	6.00	6.00	Annual	5,000	No wdls until 1/5/99. Ins acc. thereafter. Int is fixed and Gtd until 1 May 1999.
North of England (091 510 0049)	Edinburgh 30	6.50	6.50	4.88	4.88	Yrly	25,000	30 days notice/loss. Postal account. Lower rate
	Account	6.00	6.00	4.50	4.50	Yrly	10,000	available on £2500+ and for monthly income.
Northern Rock (091 285 7191)	90 day Annual	6.90	6.90	5.18	5.18	Annual	50,000	90 day notice
		6.45	6.45	4.84	4.84	Annual	25,000	rate includes 0.5% bonus p.a.
		6.30	6.30	4.73	4.73	Annual	10,000	payable if no withdrawal
		6.10	6.10	4.58	4.58	Annual	5,000	made in 12month period.
		5.25	5.25	3.94	3.94	Annual	2,500	
Portman Channel Islands (0481) 822747/8	Gold Plus A/C	6.65	6.65	-	-	Yrly	20,000	Max. holding 100,000. 90 days notice or penalty.
	Fixed Interest Bond	6.00	6.00	-	-	On Maturity	500	Max. deposit 50000. Rate guaranteed for 12 month term.
Principality (0222 344188)	Tessa	6.75	6.75	-	-	Yrly	25	Tax exempt where capital remains for 5 years
Scarborough (0723 368155)	Keepsafe By Post	7.00	7.00	5.25	5.25	Annually	15	Regular Saving, Monthly Investment £15-150, Instant Access
Skipton (0756 700511)	Sovereign Shares	5.25	5.25	3.94	3.94	Yrly	5000	Instant access.
	3 High Street	6.10	6.10	4.58	4.58	Yrly	2,000	Instant access, operated through branches from 25.07.94.
	Young Sovereign	8.50	8.50	6.38	6.38	Yrly	25	Under 18s Rate includes 2% Bonus p.a. for no withdrawals.
Woolwich (0800 400900)	Premier 90 Account	7.30	7.30	5.48	5.48	Yrly	200,000	Monthly income available
		7.00	7.00	5.25	5.25	Yrly	100,000	Rates variable. One instant
		6.75	6.75	5.06	5.06	Yrly	50,000	withdrawal p.a. of up to
		6.50	6.50	4.88	4.88	Yrly	25,000	£10,000, others at 90 days
		5.50	5.50	4.13	4.13	Yrly	10,000	notice or penalty.
		3.75	3.75	2.81	2.81	Yrly	5,000	
Yorkshire (0800 378836)	Tessa Premier	6.60	6.60	-	-	Yrly	100	90 days notice of transfer
	1st Class Access	6.50	6.50	4.88	4.88	Yrly	100,000	£2000 minimum to open a/c
	1st Class Access	6.25	6.25	4.69	4.69	Yrly	50,000	Instant postal access plus
	1st Class Access	5.95	5.95	4.46	4.46	Yrly	25,000	Link card for 24hr access via
	1st Class Access	5.80	5.80	4.35	4.35	Yrly	10,000	A.T.M.
	1st Class Access	5.55	5.55	4.16	4.16	Yrly	2,000	
	1st Class Access	1.45	1.45	1.09	1.09	Yrly	25	

* For telephone see local directory. #Net of basic rate tax. CAR = Annual yield after interest compounded. 13/8/94

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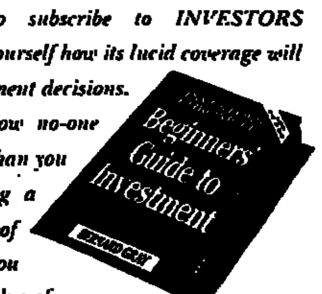

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INVESTORS CHRONICLE

THE CITY INSIDE OUT

COMMODITIES AND BOND PRICES

WEEK IN THE MARKETS

Coffee traders cautious

The coffee market had a nervous week following a sharp fall in prices on Monday as speculators and hedge funds baled out of futures contracts in New York to push prices down by 11 per cent.

Monday's sell-off on the Coffee, Sugar and Cocoa Exchange was followed by a drop of almost $200 a tonne in London prices on Tuesday. This pushed the market down to $3,195 a tonne for the November futures contract at the London Commodity Exchange.

The market managed to claw back some of its losses later in the week, but trading remained thin and jittery and last night, at $3,285, prices were still almost 11 per cent lower than Monday's open.

Traders were reluctant to push the coffee market strongly in any direction and stayed cautious ahead of the US Department of Agriculture report on the extent of frost damage to Brazil's coffee trees, expected late yesterday. Market participants were expecting US estimates to be more optimistic than Brazil's own predictions.

The Brazilian authorities estimate that up to 11m bags or 40 per cent of the 1995 coffee crop has been affected by the frost. Traders believe the US assessment will put the extent of the damage at between 3m and 5m bags.

That means the USDA is likely to estimate a crop of between 18m and 21m bags for 1995 while Brazil expects a smaller 17m bags.

Mr Lawrence Eagles, analyst at GNI, the London brokers, said many traders were waiting until after the trees flower in September for renewed assessments of the damage. "Undoubtedly at some stage there will be another run-up in price, but the market could fall another $500 a tonne before that happens," he said.

Another USDA report about the prospects for this year's US harvest boosted wheat prices on the Chicago Board of Trade on Thursday. The USDA reduced its forecast of world wheat output by 5m tonnes to 541.95m tonnes, pushing wheat futures prices up by 3 cents to $3.50 a bushel. The USDA also forecast improved prospects for US wheat exports as well as record US crops of maize and soyabeans.

Meanwhile, this week there was more evidence that the unprecedented international trade agreement encouraging aluminium producers to cut output is having an increasing impact on the huge surplus that depressed prices for so long. The International Primary Aluminium Institute said producer stocks fell for the fourth consecutive month in June, by 12,000 tonnes to 1.993m tonnes.

Since February, when trade delegates from six of the major aluminium-producing regions signed a "memorandum of understanding" about production cuts, producer stocks have fallen by 141,000 tonnes or 6.6 per cent. LME stocks also fell in June – the first time in nearly four years that IPAI and LME stocks had fallen in the same month.

Yesterday the LME reported that its stocks had fallen again and Mr Anatoly Shleyev, head of the statistics department at Russia's state metallurgy committee, suggested his country would be able to meet its promised annual production cuts of 500,000 tonnes this year. Nevertheless, he said Russian aluminium exports were likely to be 2m tonnes compared with last year's 1.6m tonnes. Aluminium for delivery in three months closed at $1,490.50 a tonne on the LME last night, $5.25 up on the day and $41.75 up over the week.

Deborah Hargreaves and Kenneth Gooding

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	-11,175	to 2,491,050
Aluminium alloy	–60	to 28,480
Copper	+3,775	to 348,475
Lead	+2,725	to 385,425
Nickel	+468	to 136,128
Zinc	+5,900	to 1,224,400
Tin	+200	to 31,165

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	1994 High	1994 Low
Gold per troy oz.	$377.50	-6.00	$368.75	$396.50	$369.50
Silver per troy oz	331.50p	-5.20	318.50p	384.50p	331.50p
Aluminium 99.7% (cash)	$1462.5	+41.0	$1184.5	$1529.50	$1107.50
Copper Grade A (cash)	$2408.5	+8.0	$1943.0	$2521.00	$1731.50
Lead (cash)	$557.0	-22.5	$385.5	$592.0	$426.0
Nickel (cash)	$5700.0	-375.0	$4775	$6480	$5210.0
Zinc SHG (cash)	$943.5	+6.0	$879.5	$1014	$900.5
Tin (cash)	$5175.0	+142.5	$4812.5	$5850.0	$4730.0
Cocoa Futures Dec	£1088	+33	£761	£1124	£859
Coffee Futures Nov	$3273	-277	$1122	$3828	$1175
Sugar (LDP Raw)	$304.3	-2.4	$245.7	$309.4	$252.9
Barley Futures Nov	£105.35	+0.35	£103.45	£105.50	£92.65
Wheat Futures Nov	£105.95	-0.55	£108.70	£117.50	£97.80
Cotton Outlook A Index	77.25c	-0.70	54.60c	87.10c	62.45c
Wool (64s Super)	442p	+2	351p	442p	342p
Oil (Brent Blend)	$17.17x	-0.445	$17.04	$18.61	$13.16

Per tonne unless otherwise stated. p Pence/kg. c Cents lb. x Oct

Wool
Prices strengthened again this week. Most increases were small but finer merinos rose more sharply in price, as did merino cardings. Both categories have been selling well from the Australian stockpile recently, and finer merino fleece supplies are expected to remain under pressure this season. Crossbred wool also met with good demand at auctions in Australia and New Zealand this week, with China buying actively. The current trade view is that China could need supplies for urgent shipment and is lightly stocked. Strength in the Australian dollar has helped to push up calculations of imported wool costs. This does not apply to wool sold by the British Wool Marketing Board but prices have tended higher in this sector also, in anticipation of a dearer auction next week.
The spices report was not available for this edition.

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Aug 12	Aug 11	month ago	year ago
2073.1	2085.4	2135.3	1823.0

■ CRB Futures (Base: 1967=100)

Aug 11	Aug 10	month ago	year ago
231.58	231.21	231.73	212.53

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	96.2900	–0.620	9.58	9.32	9.39
Belgium		7.250	04/04	92.9500	–0.550	8.33	7.95	7.81
Canada *		6.500	06/04	83.7000	–0.050	9.04	9.05	8.85
Denmark		7.000	12/04	88.9000	–2.000	8.99	8.12	8.09
France	STAN	8.000	05/98	102.6250	+0.130	7.15	6.69	6.90
	OAT	5.500	04/04	85.1000*	+0.100	7.74	7.33	7.36
Germany Bund		6.750	05/04	96.7700	–0.110	7.22	6.86	6.78
Italy		8.500	04/04	82.8000	–1.200	11.50†	10.55	10.21
Japan	No 119	4.800	06/99	102.6280	–0.630	4.15	3.90	3.83
		4.100	12/03	96.4460	–	4.65	4.64	4.33
Netherlands		5.750	01/04	90.1000	–0.120	7.23	6.91	6.80
Spain		8.000	05/04	82.1000	–2.550	11.08	10.30	10.32
UK Gilts		6.000	08/99	90–08	-	8.43	8.18	7.83
		6.750	11/04	87–11	+10/32	8.62	8.40	8.19
		9.000	10/08	102–20	+13/32	8.67	8.46	8.32
US Treasury *		7.250	05/04	99–24	+16/32	7.28	7.25	7.23
		6.250	08/23	84–15	+20/32	7.58	7.52	7.54
ECU (French Govt)		6.000	04/04	85.1500	–1.080	8.28	7.84	7.87

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
100	1-26	2-50	0-46	2-34
101	0-53	2-19	1-09	3-03
102	0-26	1-56	1-46	3-40

Est. vol. total, Calls 2450 Puts 5076. Previous day's open int., Calls 73574 Puts 61134

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	81.70	81.72	-1.34	82.26	81.14	1,002	7,162
Dec	-	81.32	-1.34	-	-	-	231

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	102-00	102-12	+0-10	102-16	101-23	488,953	355,125
Dec	101.07	101-20	+0-10	101-23	100-29	5,965	79,863
Mar	100-09	100-30	+0-08	100-31	100-09	370	4,578

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	107.73	-	-	107.95	107.73	317	0
Dec	106.67	-	-	106.92	106.67	2028	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

ECONOMIC DIARY – FORWARD EVENTS

TODAY: National savings results (July).
TOMORROW: Edinburgh Festival begins (until September 3).
MONDAY: 48-hour strike by British Rail signal workers starts. US industrial production and capacity utilisation (July). Russia, Turkmenistan, Iran, Turkey and Kazakhstan discuss new gas pipeline to Europe. US House of Representatives due to begin debate on health-care reform. Bundesbank releases August monthly report. Interim statement from HSBC Holdings.
TUESDAY: New construction orders (June). Confederation of British Industry survey of distributive trades (July). Acquisitions and mergers within the UK (second quarter). Public sector borrowing requirement (July). VAT registrations and deregistrations (1993). US housing starts and building permits (July). Parliamentary elections in Sri Lanka. Launch of the pensions ombudsman's annual report. Interims from Hanson.
WEDNESDAY: Spring 1994 Labour Force survey. Labour market statistics: unemployment and unfilled vacancies (July-provisional); average earnings indices (June-provisional); employment, hours, productivity and unit wage costs; industrial disputes; includes long-term unemployment (quarterly analysis of unemployment by age and duration (June). Retail prices index (July). Telecom workers in India begin indefinite strike to protest against government decision to allow private firms into the sector. UN world population report published. Interim statement from BICC Group.
THURSDAY: Machine tools (June). Retail sales (July). Motor vehicle production (July). Financial statistics (August). Building societies monthly figures (July). Major British banking groups' monthly statement (July). Provisional estimates of M4 and counterparts (July). US trade gap (June); jobless claims. Mr Nelson Mandela, president of South Africa, scheduled to make a key address. Bundesbank council meeting.
FRIDAY: Balance of trade with countries outside the European Community (July). US budget deficit (July).

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CURRENCIES AND MONEY

MARKETS REPORT

Lira crumbles

The D-Mark yesterday walked tall on foreign exchanges as investors sought refuge from market volatility by moving into the German currency, *writes Philip Gawith.*

All leading currencies weakened against the D-Mark, both in Europe and beyond, but the most prominent victim was the Italian lira which tumbled to record low of L1,030 against the D-Mark before recovering slightly to close in London at L1,026 from L1,005 on Thursday.

The Swedish krona fell to SKr 5.037 against the D-Mark before closing at SKr5.008. Both currencies were heavily punished for their central banks' decisions on Thursday to raise rates, which the market considered misguided.

Foreign exchange volumes were at their heaviest for a number of weeks, but traders said they fell short of panic selling.

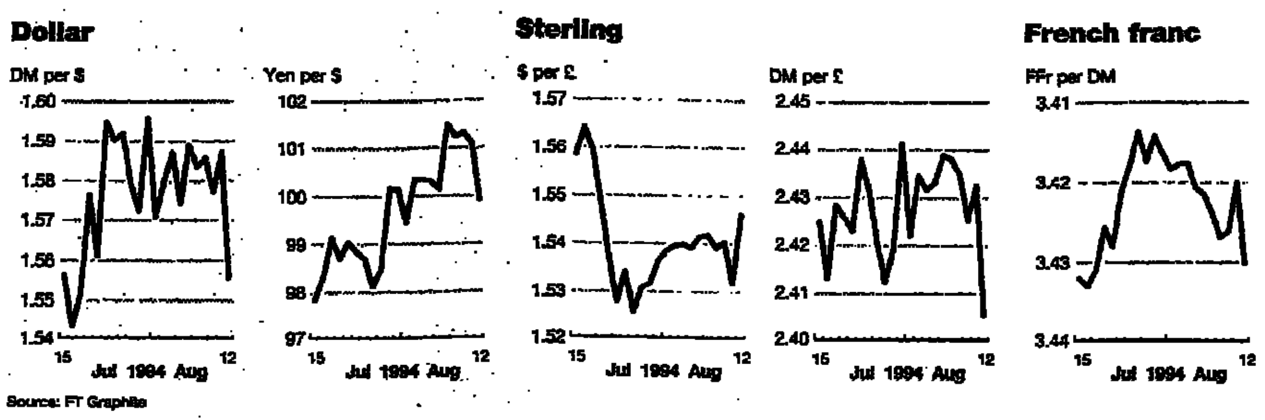
Weaker currencies were matched by a general firming of interest rates, and a further deterioration of sentiment in futures markets. Portugal was the only country to lift its interest rates, with the repo rate on seven-day funds rising to 11.08 per cent from 10.5 per cent.

The release of weaker than expected July consumer price data helped US bonds, and hence the dollar, which closed at Y99.99, off an earlier low of Y99.60, but down from Thursday's close of Y101.115. Against the D-Mark it finished at DM1.5557 from DM1.5872.

Sterling was also a victim of D-Mark strength, falling below DM2.40 before recovering to close at DM2.4061. Against the dollar it finished at $1.5467.

■ **Pound in New York**

Aug 12	—Latest—	– Prev. close –
£ spot	1.5445	1.5473
1 mth	1.5438	1.5464
3 mth	1.5418	1.5445
1 yr	1.5301	1.5327



Source: FT Graphite

■ Traders downplayed comparisons with the ERM crisis of 1992 and also said the actions of Italy and Sweden should not be mistaken as a signal of immediate rate rises across Europe.

Apart from the particularly severe fiscal problems of both countries, many observers also felt, especially in the case of Italy, that the rate rise might testify to a struggle between the central bank and the politicians.

Mr Akis Karayiannis, head of foreign exchange at Lehman Brothers in London, said the economic backdrop now was very different from that which caused the ERM crises.

Markets then found government promises, to raise interest rates against the backdrop of economies mired in recession, lacking in credibility. But with economies growing again, higher rates are to be expected, even if the timing might be unexpected.

Mr Karayiannis said he also doubted whether clients had the level of exposure to European bonds and currencies that would produce the sort of selling pressure seen in earlier crises.

■ While official rates stayed unchanged in Europe, with the exception of Portugal, most cash market rates firmed. In Germany, for example, three, six and one-year rates firmed amid fears of an end to Bundesbank rate cuts.

The Bank of England in its daily operations provided UK money markets with £323m at established rates after forecasting a £300m shortage.

Futures markets lost ground, with the December short sterling contract trading 47,000 lots to close at 93.23 – off a low of 93.17, but well down on Thursday's close of 93.35.

The December euromark contract finished at 94.80 from 94.85.

■ **OTHER CURRENCIES**

Aug 12	£	$
Hungary	166.114 - 166.322	107.420 - 107.520
Iran	2888.00 - 2889.00	1748.00 - 1750.00
Kuwait	0.4605 - 0.4619	0.2978 - 0.2986
Poland	34978.5 - 35037.2	22620.0 - 22650.0
Russia	3231.06 - 3238.79	2089.00 - 2094.00
U.A.E.	5.6701 - 5.6816	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Aug 12		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.9320	–0.1881	253 - 386	17.2886	16.8757	16.9276	0.3	16.9158	0.4	-	-	115.8
Belgium	(BFr)	49.6073	–0.509	714 - 431	50.3250	49.5000	49.5973	0.2	49.5723	0.3	49.7123	–0.2	117.0
Denmark	(DKr)	9.5442	–0.0719	411 - 473	9.6047	9.5195	9.5487	–0.6	9.5583	–0.6	9.6112	–0.7	116.7
Finland	(FM)	8.0055	–0.0303	964 - 145	8.0230	7.9560	-	-	-	-	-	-	82.7
France	(FFr)	8.2560	–0.0747	531 - 589	8.3019	8.2368	8.2592	–0.5	8.2583	–0.1	8.2286	0.4	110.5
Germany	(DM)	2.4061	–0.0267	051 - 070	2.4180	2.3973	2.4065	–0.2	2.4029	0.5	2.3752	1.3	126.8
Greece	(Dr)	384.623	–3.237	332 - 914	388.055	383.383	-	-	-	-	-	-	-
Ireland	(I£)	1.0159	+0.0021	152 - 166	1.0213	1.0059	1.016	–0.1	1.0161	–0.1	1.0165	–0.1	104.0
Italy	(L)	2469.33	+23.06	836 - 029	2478.52	2444.10	2479.23	–4.8	2495.58	–4.3	2533.33	–2.6	74.4
Luxembourg	(LFr)	49.6073	–0.509	714 - 431	50.3250	49.5000	49.5973	0.2	49.5723	0.3	49.7123	–0.2	117.0
Netherlands	(Fl)	2.7028	–0.0309	016 - 040	2.7148	2.6937	2.7031	–0.2	2.699	0.6	2.6689	1.3	121.0
Norway	(NKr)	10.5861	–0.0831	828 - 893	10.6367	10.5579	10.5831	0.3	10.5936	–0.3	10.5796	0.1	86.6
Portugal	(Es)	247.232	–0.154	960 - 504	247.742	244.589	248.962	–8.4	252.142	–7.9	-	-	-
Spain	(Pta)	200.949	+0.235	800 - 097	201.408	199.704	201.484	–3.2	202.244	–2.6	204.729	–1.9	85.8
Sweden	(SKr)	12.0451	–0.0413	373 - 528	12.1425	11.9999	12.0666	–2.1	12.1171	–2.4	12.3376	–2.4	73.1
Switzerland	(SFr)	2.0204	–0.0291	196 - 212	2.0341	2.0112	2.0189	0.9	2.0146	1.2	1.9819	1.9	122.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.1
Ecu	–	1.2657	–0.0094	652 - 661	1.2704	1.2615	1.2667	–0.9	1.2675	–0.6	1.2667	–0.1	–
SDR†	–	0.940085	–	-	-	-	-	-	-	-	-	-	–
Americas													
Argentina	(Peso)	1.5452	+0.0133	449 - 455	1.5501	1.5431	-	-	-	-	-	-	–
Brazil	(R)	1.4028	+0.0287	010 - 046	1.4065	1.3892	-	-	-	-	-	-	–
Canada	(C$)	2.1363	+0.0248	356 - 370	2.1488	2.1332	2.1367	–0.3	2.1374	–0.2	2.1483	–0.6	85.9
Mexico	(New Peso)	5.2532	+0.0441	500 - 564	5.2646	5.2462	-	-	-	-	-	-	–
USA	($)	1.5467	+0.0139	464 - 469	1.5517	1.5445	1.5459	0.6	1.5438	0.7	1.5327	0.9	63.1
Pacific/Middle East/Africa													
Australia	(A$)	2.0843	+0.0311	833 - 853	2.0912	2.0758	2.0843	0.0	2.0856	–0.2	2.1037	–0.9	–
Hong Kong	(HK$)	11.9531	+0.11	504 - 558	11.9911	11.9374	11.9492	0.4	11.9461	0.2	11.9551	0.0	–
India	(Rs)	48.5204	+0.4419	067 - 340	48.6770	48.4590	-	-	-	-	-	-	–
Japan	(Y)	154.650	–0.334	563 - 736	155.310	154.020	154.23	3.3	153.315	3.5	148.465	4.0	188.3
Malaysia	(M$)	3.9536	+0.0274	521 - 550	3.9727	3.9456	-	-	-	-	-	-	–
New Zealand	(NZ$)	2.5748	+0.0212	722 - 773	2.5844	2.5680	2.5787	–1.8	2.5865	–1.8	2.6068	–1.3	–
Philippines	(Peso)	40.5997	+0.4032	064 - 929	40.9929	39.8424	-	-	-	-	-	-	–
Saudi Arabia	(SR)	5.8005	+0.0521	993 - 016	5.8192	5.7926	-	-	-	-	-	-	–
Singapore	(S$)	2.3285	+0.0194	273 - 296	2.3353	2.3260	-	-	-	-	-	-	–
S Africa (Com.)	(R)	5.5498	+0.0146	477 - 518	5.5658	5.5332	-	-	-	-	-	-	–
S Africa (Fin.)	(R)	7.0063	–0.1164	897 - 229	7.1836	6.9469	-	-	-	-	-	-	–
South Korea	(Won)	1246.29	+10.13	578 - 680	1250.05	1244.87	-	-	-	-	-	-	–
Taiwan	(T$)	40.9182	+0.3517	054 - 310	41.0456	40.8861	-	-	-	-	-	-	–
Thailand	(Bt)	38.6895	+0.2635	677 - 112	38.7980	38.6430	-	-	-	-	-	-	–

†SDR rate for Aug 11. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 12		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.9475	–0.222	450 - 500	10.9975	10.8960	10.9477	0.0	10.9475	0.0	10.8825	0.6	104.3
Belgium	(BFr)	32.0740	–0.623	560 - 920	32.5200	31.9540	32.099	–0.9	32.154	–1.0	32.322	–0.7	105.8
Denmark	(DKr)	6.1709	–0.1029	699 - 719	6.2086	6.1498	6.1784	–1.5	6.1934	–1.5	6.3413	–1.1	104.8
Finland	(FM)	5.1760	–0.0667	710 - 810	5.1865	5.1363	5.18	–0.9	5.188	–0.9	5.3027	–1.1	77.4
France	(FFr)	5.3380	–0.0971	370 - 390	5.3640	5.3172	5.343	–1.1	5.35	–0.9	5.4056	0.5	106.2
Germany	(D)	1.5557	–0.0315	553 - 560	1.5634	1.5485	1.5563	–0.4	1.5585	–0.2	1.5812	0.4	107.0
Greece	(Dr)	235.750	–4.25	600 - 900	237.900	234.850	236.14	–2.0	236.925	–2.0	244.5	–1.9	69.5
Ireland	(I£)	1.5225	+0.0106	217 - 232	1.5365	1.5157	1.5213	0.9	1.5191	0.9	1.4976	0.9	–
Italy	(L)	1596.57	+0.57	620 - 693	1599.80	1580.50	1603.87	–5.5	1616.52	–5.0	1652.9	–3.6	75.8
Luxembourg	(LFr)	32.0740	–0.623	560 - 920	32.5200	31.9540	32.099	–0.9	32.154	–1.0	32.922	–0.7	105.8
Netherlands	(Fl)	1.7475	–0.036	470 - 480	1.7560	1.7393	1.7481	–0.4	1.7468	0.2	1.7773	0.4	105.4
Norway	(NKr)	6.8445	–0.1163	435 - 455	6.8735	6.8175	6.8485	–0.7	6.8575	–0.8	6.9113	0.7	96.6
Portugal	(Es)	159.850	–1.55	700 - 000	160.130	157.950	160.935	–8.1	162.675	–7.1	170.65	–5.7	95.5
Spain	(Pta)	129.925	–1.026	850 - 000	130.190	129.050	130.34	–3.8	131.005	–3.3	134.605	–2.8	81.0
Sweden	(SKr)	7.7879	–0.0976	841 - 916	7.8450	7.7434	7.8059	–2.8	7.8394	–2.6	8.0905	–2.6	78.0
Switzerland	(SFr)	1.3063	–0.0308	060 - 066	1.3157	1.2985	1.306	0.3	1.3049	0.4	1.3239	1.0	106.5
UK	(£)	1.5467	+0.0139	464 - 469	1.5517	1.5445	1.5459	0.6	1.5438	0.7	1.5188	0.9	87.7
Ecu	–	1.2221	+0.02	218 - 223	1.2267	1.2189	1.2205	1.6	1.2181	1.3	1.2122	–0.8	–
SDR†	–	1.44538	–	-	-	-	-	-	-	-	-	-	–
Americas													
Argentina	(Peso)	0.9991	–0.0004	990 - 991	0.9991	0.9990	-	-	-	-	-	-	–
Brazil	(R)	0.9070	+0.0105	060 - 080	0.9090	0.9010	-	-	-	-	-	-	–
Canada	(C$)	1.3813	+0.0037	810 - 815	1.3845	1.3805	1.3823	–0.9	1.3846	–1.0	1.4018	–1.5	82.9
Mexico	(New Peso)	3.3965	–0.002	950 - 980	3.3980	3.3950	3.3975	–0.4	3.3993	–0.3	3.4067	–0.3	–
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.6
Pacific/Middle East/Africa													
Australia	(A$)	1.3477	+0.0082	473 - 481	1.3490	1.3421	1.3479	–0.2	1.3486	–0.3	1.356	–0.6	88.7
Hong Kong	(HK$)	7.7284	+0.0017	279 - 289	7.7290	7.7283	7.7282	0.0	7.7289	0.0	7.7439	–0.2	–
India	(Rs)	31.3713	+0.0038	675 - 750	31.3875	31.3675	31.4563	–3.3	31.6013	–2.9	-	-	–
Japan	(Y)	99.990	–1.125	950 - 030	100.400	99.480	99.77	2.6	99.31	2.7	96.865	3.1	148.5
Malaysia	(M$)	2.5562	–0.0053	557 - 567	2.5680	2.5530	2.547	4.3	2.5357	3.2	2.6092	–2.1	–
New Zealand	(NZ$)	1.6647	–0.0013	633 - 661	1.6678	1.6617	1.6656	–0.7	1.6675	–0.7	1.6728	–0.5	–
Philippines	(Peso)	26.2500	+0.025	000 - 000	26.6000	26.0000	-	-	-	-	-	-	–
Saudi Arabia	(SR)	3.7504	-	502 - 505	3.7505	3.7502	3.7517	–0.4	3.7558	–0.6	3.7744	–0.6	–
Singapore	(S$)	1.5055	–0.001	050 - 060	1.5060	1.5040	1.5042	1.1	1.5023	0.9	1.4955	0.7	–
S Africa (Com.)	(R)	3.5883	–0.023	875 - 890	3.5965	3.5815	3.6038	–5.2	3.6321	–4.9	3.7068	–3.4	–
S Africa (Fin.)	(R)	4.5300	–0.117	200 - 400	4.6350	4.4900	4.5637	–8.9	4.6225	–8.2	-	-	–
South Korea	(Won)	805.800	–0.7	600 - 000	806.000	805.400	808.8	–4.5	812.3	–3.2	830.8	–3.1	–
Taiwan	(T$)	26.4560	–0.0105	520 - 600	26.4600	26.4300	26.476	–0.9	26.516	–0.9	-	-	–
Thailand	(Bt)	25.0150	–0.055	050 - 250	25.0250	25.0100	25.0875	–3.5	25.215	–3.2	25.695	–2.7	–

†SDR rate for Aug 11. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 11. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 12		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.24	16.64	4.850	2.048	4977	5.448	21.35	498.3	405.0	24.28	4.072	2.016	4.306	3.116	311.6	2.552
Denmark	(DKr)	51.98	10	8.650	2.521	1.065	2587	2.832	11.10	259.0	210.5	12.63	2.117	1.048	2.238	1.620	162.0	1.326
France	(FFr)	60.09	11.56	10	2.914	1.231	2991	3.274	12.83	299.4	243.3	14.60	2.447	1.211	2.587	1.873	187.3	1.533
Germany	(DM)	20.62	3.967	3.431	1	0.422	1026	1.123	4.401	102.7	83.50	5.006	0.840	0.416	0.888	0.643	64.26	0.526
Ireland	(I£)	48.83	9.394	8.126	2.368	1	2430	2.660	10.42	243.3	197.7	11.86	1.988	0.984	2.102	1.522	152.2	1.246
Italy	(L)	2.009	0.387	0.334	0.097	0.041	100.	0.109	0.429	10.01	8.137	0.488	0.082	0.041	0.087	0.063	6.262	0.051
Netherlands	(Fl)	18.35	3.531	3.054	0.890	0.376	913.4	1	3.918	91.45	74.32	4.458	0.747	0.370	0.790	0.572	57.20	0.468
Norway	(NKr)	46.85	9.012	7.796	2.272	0.959	2331	2.552	10	233.4	189.7	11.38	1.907	0.944	2.017	1.460	146.0	1.196
Portugal	(Es)	20.07	3.861	3.340	0.973	0.411	998.8	1.093	4.284	100.	81.27	4.875	0.817	0.405	0.864	0.625	62.54	0.512
Spain	(Pta)	24.69	4.751	4.110	1.198	0.506	1229	1.345	5.271	123.0	100.	5.998	1.005	0.498	1.063	0.770	76.95	0.630
Sweden	(SKr)	41.17	7.920	6.851	1.997	0.843	2049	2.243	8.788	205.1	166.7	10	1.676	0.830	1.773	1.283	128.3	1.051
Switzerland	(SFr)	24.56	4.725	4.087	1.191	0.503	1222	1.338	5.243	122.4	99.46	5.965	1	0.495	1.057	0.765	76.53	0.627
UK	(£)	49.61	9.544	8.256	2.406	1.016	2469	2.703	10.59	247.2	200.9	12.05	2.020	1	2.136	1.546	154.6	1.266
Canada	(C$)	23.23	4.468	3.865	1.126	0.476	1156	1.265	4.958	115.7	94.05	5.641	0.946	0.468	1	0.724	72.38	0.593
US	($)	32.09	6.173	5.340	1.556	0.657	1597	1.748	6.850	159.9	129.9	7.794	1.307	0.647	1.382	1	100.0	0.819
Japan	(Y)	320.9	61.73	53.40	15.56	6.572	15970	17.48	68.50	1599	1299	77.94	13.07	6.468	13.82	10.00	1000.	8.189
Ecu		39.19	7.539	6.521	1.900	0.803	1950	2.135	8.365	195.3	158.7	9.518	1.596	0.790	1.687	1.221	122.1	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

EMS EUROPEAN CURRENCY UNIT RATES

Aug 12	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14365	–0.00917	–2.42	5.95	-
Germany	1.94964	1.90841	–0.00798	–2.11	5.63	-
Belgium	40.2123	39.3867	–0.0804	–2.05	5.56	15
Ireland	0.808628	0.805060	+0.007962	–0.44	3.85	3
France	6.53883	6.55218	–0.01748	0.20	3.18	–2
Portugal	192.854	196.031	+0.665	1.65	1.72	–11
Denmark	7.43679	7.57463	–0.00296	1.85	1.51	–13
Spain	154.250	159.485	+1.29	3.39	0.00	–24
NON ERM MEMBERS						
Greece	264.513	289.127	–0.437	9.31	–5.41	–
Italy	1793.19	1959.65	+26.32	9.28	–5.39	–
UK	0.786749	0.794500	+0.007256	0.99	2.39	–

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6404	0.6437	+0.0030	0.6459	0.6396	67,118	98,235
Dec	0.6450	0.6433	+0.0024	0.6450	0.6418	646	5,362
Mar	0.6432	0.6432	+0.0013	0.6432	0.6432	82	1,564

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.9991	1.0038	+0.0047	1.0079	0.9989	28,467	64,388
Dec	1.0095	1.0107	+0.0045	1.0113	1.0083	848	6,370
Mar	-	1.0140	+0.0091	-	-	10	1,124

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
1.450	9.84	9.52	9.44	-	-	0.05
1.475	7.14	7.05	7.19	-	0.01	0.23
1.500	4.64	4.74	5.08	-	0.19	0.80
1.525	2.19	2.76	3.28	-	0.64	1.28
1.550	-	1.30	1.95	0.21	1.65	2.38
1.575	-	0.48	1.04	2.66	3.30	3.89

Previous day's vol., Calls 36,826 Puts 12,671 . Prev. day's open int., Calls 603,245 Puts 489,466

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.7612	0.7670	+0.0060	0.7710	0.7603	28,701	42,212
Dec	0.7669	0.7684	+0.0057	0.7702	0.7660	245	1,625
Mar	-	0.7648	+0.0106	-	-	9	31

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5466	1.5466	-0.0012	1.5498	1.5432	24,607	33,127
Dec	1.5450	1.5430	-0.0042	1.5460	1.5400	253	786
Mar	1.5394	1.5410	-0.0030	1.5410	1.5394	1	152

WORLD INTEREST RATES

MONEY RATES

August 12	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	4⅞	5¼	6	6¼	6½	7.40	4.50	-
week ago	4⅞	5¼	5¼	5¾	6	7.40	4.50	-
France	5⅜	5⅝	5⅝	6	6⅛	5.00	-	6.75
week ago	5⅜	5¼	5⅞	5¾	5⅞	5.00	-	6.75
Germany	4.93	4.95	4.95	4.98	5.18	6.00	4.50	4.85
week ago	4.93	4.95	4.95	4.95	5.05	6.00	4.50	4.85
Ireland	5	5⅝	5⅞	6⅛	6⅝	-	-	6.25
week ago	4⅞	5⅝	5¾	6⅛	6½	-	-	6.25
Italy	8½	9¼	9⅝	10⅛	10⅞	-	7.50	8.20
week ago	8⅜	9¼	8⅞	8⅞	9⅝	-	7.00	8.20
Netherlands	4.85	5.03	5.06	5.18	5.44	-	5.25	-
week ago	4.85	5.03	4.92	5.01	5.22	-	5.25	-
Switzerland	4	4⅛	4⅞	4⅜	4⅝	6.625	3.50	-
week ago	4⅛	4⅛	4⅜	4½	4⅝	6.625	3.50	-
US	4⅜	4⅝	4⅝	5⅜	5⅞	-	3.50	-
week ago	4¼	4¾	4⅞	5⅜	5⅞	-	3.50	-
Japan	2⅛	2⅛	2⅛	2¼	2⅞	-	1.75	-
week ago	2⅛	2⅛	2⅛	2¼	2½	-	1.75	-
■ **$ LIBOR FT London**								
Interbank Fixing	-	4⅞	4⅞	5⅛	5⅝	-	-	-
week ago	-	4⅞	4¾	5½	5⅝	-	-	-
US Dollar CDs	-	4.54	4.76	5.09	5.65	-	-	-
week ago	-	4.54	4.71	5.03	5.61	-	-	-
SDR Linked Ds	-	3½	3⅞	3¾	4	-	-	-
week ago	-	3½	3⅞	3¾	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 6 ; 3 mths: 6¼; 6 mths: 6¾; 1 year: 6¾. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 12	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5 - 4⅞	5¼ - 5⅛	5⅝ - 5½	6 - 5⅞	6⅜ - 6⅛	6½ - 6¼
Danish Krone	5½ - 5	6¾ - 6¼	7 - 6½	7 - 6½	7 - 6½	7½ - 7
D-Mark	4⅝ - 4½	5 - 4⅞	5 - 4⅞	5 - 4⅞	5⅜ - 5¼	5⅝ - 5¼
Dutch Guilder	5 - 4⅞	5 - 4⅞	5¼ - 4⅞	5¼ - 4⅞	5⅝ - 5⅛	6⅜ - 6¼
French Franc	5⅞ - 5⅝	5½ - 5⅜	5⅞ - 5⅝	5⅞ - 5⅝	6⅛ - 5⅞	6⅜ - 6⅛
Portuguese Esc.	12⅛ - 11⅞	13¼ - 12¼	14 - 12½	12⅜ - 11¾	12⅜ - 11¾	12 - 11½
Spanish Peseta	7½ - 7⅛	7⅞ - 7⅝	8⅛ - 7⅞	8⅛ - 8	8½ - 8⅛	8⅞ - 8½
Sterling	4⅞ - 4¾	4⅞ - 4⅝	5⅜ - 5⅛	5⅝ - 5⅜	6⅛ - 6⅛	6⅝ - 6⅜
Swiss Franc	4⅛ - 3⅞	4⅛ - 4	4⅜ - 4⅛	4½ - 4¼	4⅝ - 4½	4⅞ - 4⅝
Can. Dollar	5 - 4⅞	5⅜ - 5⅛	5⅝ - 5⅜	5⅞ - 5⅝	6⅞ - 6⅝	7⅜ - 7⅛
US Dollar	4¾ - 4⅝	4½ - 4⅜	4⅞ - 4¾	5⅛ - 5	5¼ - 5⅛	5⅞ - 5¾
Italian Lira	9 - 7½	9⅜ - 9⅛	9⅞ - 9⅝	10⅛ - 9⅞	10⅜ - 10⅛	10⅞ - 10⅝
Yen	2⅜ - 2⅛	2⅛ - 2⅛	2⅛ - 2⅛	2⅜ - 2¼	2⅝ - 2⅜	2⅞ - 2⅝
Asian $Sing	3⅞ - 3⅛	3⅞ - 3⅛	4⅛ - 4⅛	4⅛ - 4⅛	5⅛ - 5⅛	5⅞ - 5⅝

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.07	94.08	-0.18	94.12	93.94	40,427	43,498
Dec	93.70	93.69	-0.24	93.75	93.55	47,587	39,338
Mar	93.46	93.44	-0.22	93.48	93.23	15,228	32,060
Jun	93.16	93.20	-0.19	93.20	93.04	8,108	24,224

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.82	94.87	+0.08	94.87	94.81	178	3198
Dec	-	94.15	+0.04	-	-	0	1993
Mar	-	93.88	+0.03	-	-	0	1449
Jun	-	93.56	+0.04	-	-	0	354

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.95	94.98	-0.02	95.01	94.95	28368	166555
Dec	94.71	94.80	-0.05	94.85	94.71	57906	168117
Mar	94.43	94.50	-0.05	94.55	94.43	34012	161621
Jun	94.09	94.16	-0.05	94.21	94.09	19319	100421

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	90.38	89.74	-1.04	90.38	89.60	17632	24666
Dec	89.93	89.37	-0.96	89.93	89.10	9703	46207
Mar	89.40	88.97	-0.96	89.40	88.77	3066	14330
Jun	88.95	88.57	-0.93	89.00	88.42	1646	12330

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.46	95.50	-0.05	95.52	95.42	4711	26939
Dec	95.23	95.31	-0.06	95.38	95.22	2922	12951
Mar	95.05	95.09	-0.07	95.10	95.00	1081	11059
Jun	94.67	94.75	-0.06	94.77	94.67	219	5059

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.78	93.69	-0.19	93.78	93.59	2655	10915
Dec	93.48	93.39	-0.21	93.48	93.29	1957	8000
Mar	93.12	93.09	-0.22	93.15	92.98	748	4352
Jun	92.75	92.80	-0.21	92.82	92.75	75	1241

* LIFFE futures traded on APT

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.82	94.88	+0.05	94.89	94.80	104,039	424,181
Dec	94.11	94.15	+0.04	94.17	94.07	191,170	474,721
Mar	93.85	93.88	+0.03	93.90	93.80	102,860	327,688

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	95.23	95.29	+0.04	95.30	95.22	1,136	17,894
Dec	94.62	94.69	+0.04	94.70	94.62	627	9,152
Mar	94.37	94.40	+0.01	94.40	94.34	1,031	3,854

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	CALLS Dec	PUTS Aug	PUTS Sep	PUTS Oct	PUTS Dec
9475	0.23	0.25	0.17	0.23	0	0.02	0.12	0.18
9500	0.02	0.07	0.06	0.12	0.04	0.09	0.26	0.32
9525	0	0.02	0.02	0.05	0.27	0.29	0.47	0.50

Est. vol. total, Calls 10308 Puts 8217. Previous day's open int., Calls 247022 Puts 168494

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9550	0.07	0.12	0.18	0.07	0.31	0.59
9575	0.02	0.06	0.11	0.27	0.50	0.77
9600	0.01	0.03	0.06	0.51	0.72	0.97

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1505 Puts 1515

UK INTEREST RATES

LONDON MONEY RATES

Aug 12	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	4¾ - 2½	4⅞ - 4⅝	5⅛ - 5⅛	5⅝ - 5⅜	6⅛ - 6⅛	6⅝ - 6⅜
Sterling CDs	-	-	5⅛ - 4⅞	5⅝ - 5⅜	6⅛ - 6	6¾ - 6⅝
Treasury Bills	-	-	5 - 4⅞	5½ - 5⅜	-	-
Bank Bills	-	-	5⅛ - 4⅞	5⅝ - 5½	5⅞ - 5⅞	-
Local authority deps.	4⅞ - 4⅞	4⅞ - 4¾	5⅛ - 5	5⅝ - 5½	6⅛ - 6	6⅞ - 6¾
Discount Market deps	4¾ - 3	4⅞ - 4⅞	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾ -	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.3747pc. ECGD fixed rate Stlg. Export Finance. Make up day July 29, 1994. Agreed rate for period Aug 24, 1994 to Sep 25, 1994, Schemes II & III 6.50pc. Reference rate for period July 1, 1994 to July 29, 1994, Schemes IV & V 5.2460pc. Finance House Base Rate 5½pc from Aug 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.99	93.99	-0.14	94.07	93.97	18703	95761
Dec	93.21	93.23	-0.12	93.30	93.17	47288	174299
Mar	92.61	92.64	-0.12	92.71	92.55	12863	65508
Jun	92.07	92.16	-0.12	92.20	92.05	5891	50973

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9375	0.31	0.12	0.10	0.07	0.64	1.21
9400	0.16	0.06	0.06	0.17	0.83	1.42
9425	0.07	0.02	0.03	0.33	1.04	1.64

Est. vol. total, Calls 31520 Puts 6003. Previous day's open int., Calls 327391 Puts 250020

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	●United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai.	5.25		
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank.	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of London Investment Banking Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

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LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ф Bargains done the previous day.

British Funds, etc

Treasury 13¾% Stk 2000/03 - £123⅝ (10Au94)

Corporation and County Stocks

Birmingham District Council 11½% Red Stk 2012 - £118½ (5Au94)
Bristol(City of) 11½% Red Stk 2008 - £115½
Dudley Metropolitan Borough Council7% Ln Stk 2019 (Reg)(F/P) - £80 ⅝
Kensington & Chelsea(Royal Borough)11.15%

Nationwide Building Society 8⅝% Subord Nts 2018 (Br £ Var) - £87.7 (10Au94)
Nationwide Building Society Zero Cpn Nts 1998 (Br £ Var) - £70¼ (8Au94)
Nippon Telegraph and Telephone Corp8½% Nts 1997 (Br $C1000&10000) - $C100⅝ 101⅛ (9Au94)
Norsk Hydro AS 9¾% Nts 2003 (Br £1000&10000) - £100½ (8Au94)
Northern Rock Building Society 10⅜% Subord Bds 2018 (Br £ Var) - £102.3625 (10Au94)
Northumbrian Water Group PLC 9¼% Bds 2002 (Br £ Var) - £100⅛ (8Au94)
Osaka Gas Co Ltd 8.125% Bds 2003 (Br £

Anglovaal Ld N Ord R0.0001 - $0.000001
Asda Property Hldgs PLC 10 5/16% 1st Mtg Deb Stk 2011 - £103 (5Au94)
Associated British Engineering PLC 4.9% Cum Prf £1 - 45 (8Au94)
Attwoods PLC ADR (5:1) - $9⅜ (5Au94)
Attwoods (Finance) NV 8½p Gtd Red Cnv Prf 5p - 90ф
Automated Security(Hldgs) PLC 5% Cnv Cum Red Prf £1 - 74 (9Au94)
Automated Security(Hldgs) PLC 6% Cnv Cum Red Prf £1 - 69
Automotive Products PLC 9% Cum Prf £1 - 107 (9Au94)
B.A.T Industries PLC ADR (2:1) - $13¼
BET PLC ADR (4:1) - $7¼
BM Group PLC 4.9p (Net) Cnv Cum Red Prf 20p - 59 ½ 60 (9Au94)
BOC Group PLC 12¼% Uns Ln Stk 2012/17 - £123¾
BTP PLC 7.5p(Net) Cnv Cum Red Prf 10p - 208 (8Au94)
BTR PLC ADR (4:1) - $24½
Bangkok Investments Ld Ptg Red Prf $0.01 - $145.8758 (5Au94)
Bank of Ireland(Governor & Co of) Units NCP Stk SrsA Ir£1&Ir£9 Liquidation - £11.1
Banner Homes Group PLC Ord 10p - 130
Barclays PLC ADR (4:1) - $35.89ф
Barclays Bank PLC 12% Uns Cap Ln Stk 2010 - £118 (9Au94)
Barclays Bank PLC 16% Uns Cap Ln Stk 2002/07 - £135 ⅞ (8Au94)
Bardon Group PLC 7.25p (Net) Cnv Red Prf 25p - 90

[illegible]

Lonrho Finance PLC 6% Gtd Cnv Bds 2004(Br£Vars) - £87½ (5Au94)
MEPC PLC 10¼% Bds 2003(Br£1000&10000) - £101½
Microtek International Inc 3.5% Bds 2001(Br$10000) - $115½ (8Au94)
Municipality Finance Ld 9½% Gtd Nts 1997 (Br £Var) - £103.15 (8Au94)
National Grid Co PLC 7⅜% Bds 1998 (Br £ Var) - £96 ⅞
National & Provincial Bldg Society 8¼% Nts 1998 (Br £ Var) - £98.3 (9Au94)
National Westminster Bank PLC 11½% Und-SubNts £1000(Cnv to Prf)Reg - £106⅛

Allied-Lyons Financial Services PLC6¾% GtdCnvSubordBds2008 RegMult£1000 - £110¼
Allied-Lyons Financial Services PLC6¾% Gtd Cnv Subord Bds 2008(Br £ Var) - £110¼ (9Au94)
Alvis PLC 5.5% Cnv Cum Non-Vtg Red Prf £1 - 75
American Brands Inc Shs of Com Stk $3.125 - $34.55
Ameritech Corp Shs of Com Stk $1 - £25¾
Andrews Sykes Group PLC Cnv Prf 50p - 48 (9Au94)
Anglian Water PLC 5⅛% Index-Linked LnStk 2008(5.2576%) - £132⅛

FT-SE ACTUARIES INDICES

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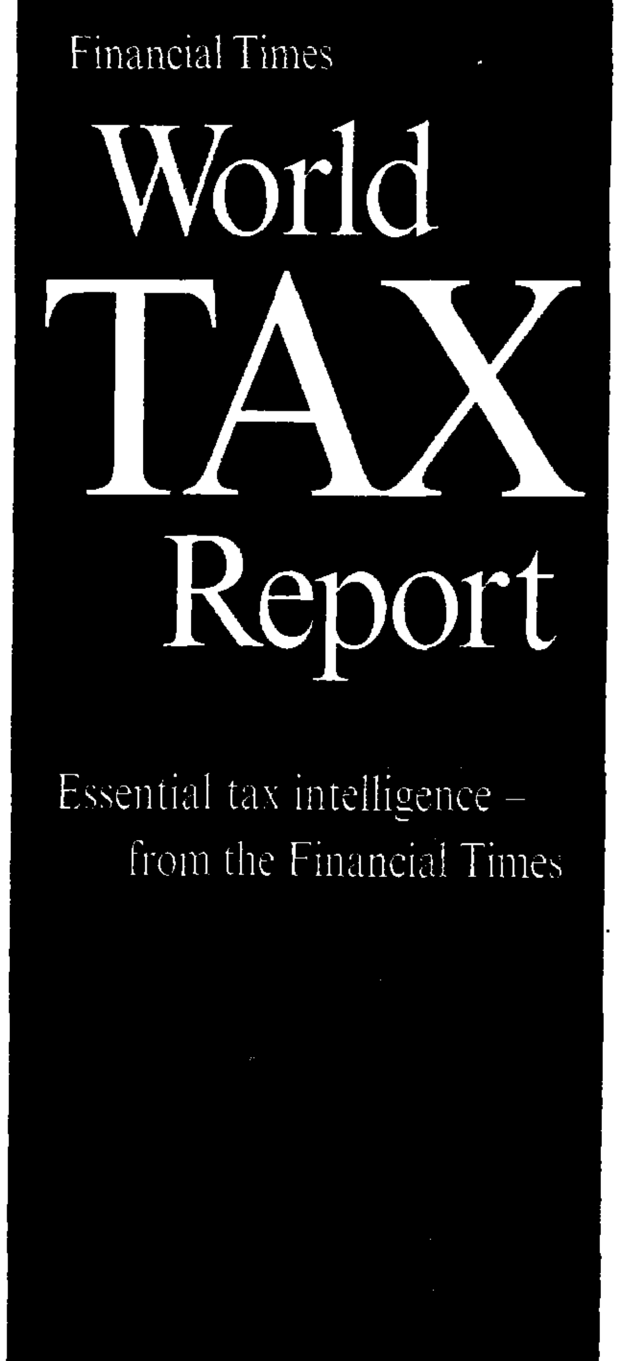

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LONDON STOCK EXCHANGE

MARKET REPORT

Good rally after favourable US consumer data

By Terry Byland, UK Stock Market Editor

The UK stock market staged a highly successful recovery yesterday afternoon as a rally in bond prices followed the announcement of satisfactory US consumer price statistics. Early trading saw the London market down by more than 27 points on the FT-SE 100 Index but there was little sign of the selling pressure feared in the wake of Thursday's interest rate rises in Europe.

At the close, the FT-SE 100 Index was 4.1 up on the day at 3,142.3. The recapture of the Footsie 3,140 mark was acclaimed by some equity chartists who now see the market in safer territory than seemed likely at the close of the previous session. In very late trading, the September futures contract on the FT-SE 100 Index reached 3,166, breaking above another important support level. The Footsie had touched 3,110.7 yesterday morning, kindling fears that 3,100 might be challenged.

The initial setback was influenced in part by awareness that a heavy seller of stock index futures at Thursday's close was still in the wings. British government bonds were also weak during the first half of the session. Equity market-making firms were inclined to mark share prices lower while waiting to see what the leading strategists would make of the rate rises in Italy and Sweden.

Kleinwort Benson Securities commented that "tightening jitters (on the turn in interest rates) will affect the Continent more than the UK". Ratings on UK equities are seen to be less demanding than in the other leading European markets. Many analysts stressed the benefits for UK shares of the rapid growth in corporate earnings now flowing through.

Such views were buttressed yesterday by unexpectedly good trading figures for the second quarter from Unilever, the food to detergents group. However, most strategists agreed that the "interest rate cycle is now turning in Europe".

The recovery spread across the full range of the stock market, leaving the FT-SE Mid 250 Index with a gain of 2.2 at 3,728.8. Trading volume, as measured by the Exchange's Seaq electronic network, remained high, with 640.3m shares traded compared with 694.4m on Thursday when retail or genuine investment business of £1.36m remained within the range of recent daily averages. Good trading volume has continued to underpin the stock market

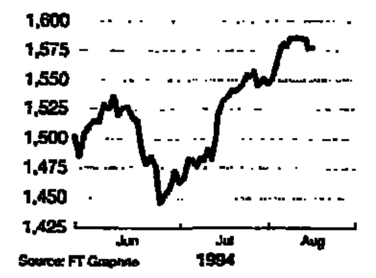
Interest-related stocks suffered, at worst, only minor falls and some moved higher. The blue-chip internationals were restrained by weakness in the US dollar but steadied before the close as the currency steadied, with the oil stocks firm.

The regional electricity stocks continued to forge ahead, extending the gains which followed the announcement on Thursday of what has been seen as an extremely favourable price review – from the point of view of the companies. The Footsie Index was boosted by the strong gain in shares of Unilever, and also in Reckitt & Colman which rose in sympathy.

The Footsie Index has lost 25.2 over the week, with virtually all the loss coming in the wake of the rate increases in Sweden and Italy. The focus has now turned to next Tuesday's meeting of the US Federal Open Market Committee. The rise of only 0.3 per cent in US July consumer price index announced yesterday appeared to leave open the question of whether inflationary pressures are sufficient to alarm the US authorities and cause them to tighten credit policies again.

Short-dated UK gilts, which are the most closely linked to base rate expectations, closed some $\frac{1}{32}$ lower but had ⅜ off. Longer dates, encouraged by the US bond market, recovered more strongly and closed a shade higher on the day – regarded as no mean achievement against the present uncertain background on interest rates.

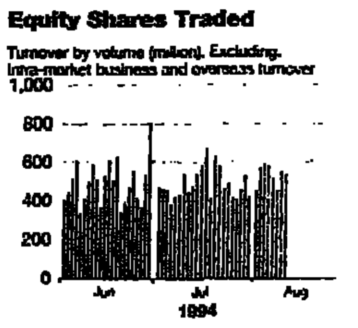
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key Indicators

Indices and ratios		
FT-SE Mid 250	3728.8	+2.2
FT-SE-A 350	1589.7	+1.8
FT-SE-A All-Share	1577.78	+1.74
FT-SE-A All-Share yield	3.78	(3.78)
FT Ordinary index	2469.2	+8.7
FT-SE-A Non Fins p/e	19.89	(19.86)
FT-SE 100 Fut Sep	3159.0	+13.0
10 yr Gilt yield	8.75	(8.80)
Long gilt/equity yld ratio:	2.33	(2.32)

FT-SE 100 Index	
Closing index for Aug 12	3142.3
Change over week	-25.2
Aug 11	3138.2
Aug 10	3167.0
Aug 9	3168.6
Aug 8	3171.9
High*	3184.6
Low*	3110.7

*Intra-day high and low for week

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ABDA Group†	11,000	82½	+½
Abbey National†	1,600	399	+5
Albert Fisher	361	51	-1
Allied-Lyons†	2,000	580½	+3½
Anglian Water	1,400	537½	+5½
Argos	825	374	+4
Argyll Group†	5,800	274	-5
Arjo Wiggins†	267	282	-3
Assoc. Brit. Foods†	33	586	+2
Assoc. Brit. Ports	892	284	+3
BAA†	843	497	+2
BAT Inds.†	4,200	439	+5
BET	1,200	120	+2½
BICC	879	418	-1
BOC†	1,500	725	+11
BP†	8,100	410	+1½
BPB Inds.	1,100	333	+4
BT†	9,200	375½	-1
BT (P/Paid)	11,000	255½	-1½
BTR†	5,400	377	-3
Bank of Scotland†	1,700	185	-1
Barclays†	4,000	547	-1½
Bass†	1,300	569	+7
Blue Circle†	1,100	312	-3
Booker	454	441	+7
Boots†	3,800	532	+7
Bowater†	435	461	-2
Brit. Aerospace†	4,400	490	-14
British Airways†	3,900	424	-½
British Gas†	4,800	288	+2
British Land	81	419	-1
British Steel†	7,200	160½	-1¾
Bunzl	1,300	167	+1
Burmah Castrol†	127	873	
Burton	3,100	59½	
Cable & Wire†	3,700	432	-3
Cadbury Schweppes†	1,800	467	+5
Calor Group	88	290	
Caradon†	1,100	296	
Carlton Comms.†	1,400	886	-13
Coats Viyella†	1,400	225	+3
Comm. Union†	826	582	-4
Cookson	1,100	283	
Courtaulds†	2,300	527	-5
Dalgety	264	456	-4
De La Rue†	109	933	-8
Dixons	473	202	+1
Eastern Elect.	4,300	763	+24
East Midland Elect.	2,300	710	+18
Eng China Clays	418	383	-5
Enterprise Oil†	258	413	-5
Eurotunnel Units	1,000	291	-6
FKI	687	184	-1
Fisons	1,200	148	
Foreign & Col. I.T.	688	143	
Forte†	5,800	238½	+1½
Gen. Accident†	909	561	-9
General Elect.†	3,900	280½	-3½
Glaxo†	3,300	623	-1
Glynwed	601	365	-2
Granada†	1,500	521	-3
Grand Met.†	4,400	434	+5
GUS†	910	581	-8
GRE†	3,000	179	-5
GKN†	778	639	-1
Guinness†	1,100	455	+8
HSBC (75p shs)†	2,100	759	-5
Hammerson	198	344	-2
Hanson†	11,000	265¼	-1¾
Harrisons Crosfield	1,200	191	
Hays	886	301	+3
Hillsdown	524	180	
IMI	279	338	-4
ICI†	1,200	845	+2
Inchcape†	1,200	480	+4
Johnson Matthey	376	570	-5
Kingfisher†	937	517	-8
Kwik Save	876	607	+4
Ladbroke†	1,000	171	+2
Land Securities†	399	680	-3
Laporte	231	808	+5
Legal & General†	444	452	-2
Lloyds Abbey	219	361	-2
Lloyds Bank†	2,000	545	-2
LASMO	375	153½	-1½
London Elect.	4,000	656	+15
Lonrho	1,300	134½	+½
Lucas	1,200	204	-½
MEPC†	59	458	-3
MFI	10,000	153	
Manweb	840	785	+32
Marks & Spencer†	5,300	430	-1
Midlands Elect.	3,000	756	+25½
Morrison (Wm.)	115	135	+1
NFC†	1,200	209	
NatWest Bank†	4,600	450	+1
National Power†	1,200	475	-2
Next	417	258	
North West Water†	781	531	+2
Northern Elect.	672	754	+15
Northern Foods†	823	229	+3
Norweb	545	748½	+20½
Pearson†	1,800	629	-12
P & O†	1,000	594	+4
Pilkington	537	193	
PowerGen†	1,700	548	-4
Prudential†	4,800	310	
RMC†	888	987	-4
RTZ†	2,800	871	+1
Racal	1,600	244	-1
Rank Org.†	3,200	396	+3
Reckitt & Colman†	1,100	631	+23
Redland†	1,000	536	-1
Reed Intl.†	3,000	805	-1
Rentokil†	746	237	+2
Reuters†	2,100	490	-1
Rolls Royce†	3,100	198½	-2½
Ryl Bk Scotland†	2,400	395	+5
Royal Insurance†	9,100	279	+14
Sainsbury†	1,500	420	+3
Schroders	5	1315	
Scottish & New.†	1,300	527	+8
Scot. Hydro-Elect.	1,100	376	-5
Scottish Power†	3,900	382	-10
Sears†	3,800	123	+½
Sedgwick	1,400	173	+1
Seeboard	4,900	414	+18
Severn Trent†	533	547	-2
Shell Transport†	3,000	720	+2
Siebe†	2,000	603	-9
Slough Ests	176	258	-1
Smith (W.H.)	296	483	-2
Smith & Nephew†	849	154	-½
SmKl Beecham†	2,900	431	+2
SmKl Beecham Uts.†	890	383	
Smiths Inds.	850	479	-8
Southern Elect.†	2,700	740	+26
South Wales Elect.	1,000	746	+24
South West Water	248	516	+2
South West. Elect.	1,400	739	+25
Southern Water	840	572	-4
Standard Chartd.†	3,400	247	
Storehouse	957	220	-2
Sun Alliance†	1,700	317	-3
T&N	529	252	-1
TI Group†	858	387	-8
TSB†	5,600	210½	+½
Tarmac	2,200	152	-3
Tate & Lyle	871	449	+3
Taylor Woodrow	734	139½	-6½
Tesco†	3,800	243½	-1
Thames Water†	977	507½	+2½
Thorn EMI†	539	1030	-5
Tomkins†	1,300	236	-1
Trafalgar House	3,100	94	+2
Unigate	1,000	382	-3
Unilever†	9,300	1097	+55
United Biscuits†	2,600	339	+9
Utd. Newspapers	87	505	
Vodafone†	3,200	187	-½
Warburg (SG)†	2,100	745	-4
Wellcome†	507	679	+4
Welsh Water	423	646	+3
Wessex Water	174	627	+3
Whitbread†	1,800	532	+6
Williams Hldgs.†	1,900	370	-1
Willis Corroon	1,700	153	-½
Wimpey	85	159	-1
Wolseley†	249	816	-3
Yorkshire Elect.	1,500	699	+8
Yorkshire Water	740	536½	-1½
Zeneca†	1,300	825	+13

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

EQUITY FUTURES AND OPTIONS TRADING

A squeeze in stock index futures sent the near-month contract sharply ahead which helped lead the cash market higher, *writes Joel Kibazo.*

The September contract on the FT-SE 100 started trading at 3,136 and during the session saw a low of 3,112 and a high of 3,169 before settling at 3,159 by the close.

In traded options, total volume was 36,099 of which 15,048 was dealt in the FT-SE 100 option and 3,268 in the Euro FT-SE option. Amstrad was the busiest stock option with a total of 3,268 contracts. Royal Insurance and Asda Group were also busy.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3136.0	3159.0	13.0	3168.0	3112.0	17526	57178
Dec	3140.0	3172.5	13.0	3140.0	3133.0	9	4105
Mar	-	3192.5	13.0	-	-	0	0

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3730.0	3730.0	-	3730.0	3730.0	25	4486

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		3,725.0					636

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3142) £10 per full index point

	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P
Aug	204	1	154	1½	108½	3	62	9½	26½	25½	9½	57½	2½	107½	1	157½
Sep	219	11	175½	17½	134½	27	98½	40½	68½	60	44	86	25½	119½	13½	160½
Oct	231	26½	198½	36	154½	49	122	66	93½	88	70	114½	49½	144½	35½	181
Nov	268½	36	212½	48	176	62½	144½	81	115½	101½	91	127½	70	157	52	190
Dec†			228½	60½			164	94			109	141			67½	200½

Calls 2,271 Puts 12,331

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P
Aug	176½	1	128	2½	80½	5	40	14½	15	39½	4½	78½	1	125	1	174½
Sep	198	14½	155½	22	117	33	83	48½	55	70½	33	98	18	133	9	173
Oct			172½	41½			107½	78			60	127½			30	196
Dec			208½	63½			146½	99½			97	148½			60½	210½
Mar†			253	91			193	128			143	174½			103	231½

Calls 336 Puts 2,895 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3450	3500	3550	3600	3650	3700		3750		3800	
Apr						56½	22.3	29.8	45½	13½	79

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT-SE-A INDICES - LEADERS & LAGGARDS

Percentage changes since December 31 1993 based on Friday August 12 1994

Engineering, Vehicles	+16.07	FT-SE Mid 250 ex IT	-1.08	FT-SE 100	-8.08
Oil Exploration & Prod	+12.83	FT-SE Mid 250	-1.65	Building Materials	-8.67
Printing, Paper & Pckg	+10.24	Food Manufacturers	-3.59	Building & Construction	-9.77
Chemicals	+8.07	Health Care	-3.64	Household Goods	-10.25
Engineering	+7.98	Non-Financials	-3.95	Retailers, General	-10.83
Extractive Inds	+6.43	Services	-4.33	Water	-11.52
Mineral Extraction	+5.91	Support Services	-4.56	Utilities	-11.58
Oil, Integrated	+6.58	Pharmaceuticals	-5.34	Life Assurance	-12.27
Retailers, Food	+2.72	Investment Trusts	-5.66	Property	-12.39
Leisure & Hotels	+1.82	Textiles & Apparel	-5.89	Merchant Banks	-12.41
FT-SE SmallCap ex IT	+1.56	FT-SE-A All-Share	-6.20	FT Gold Mines Index	-12.87
Diversified Industrials	+1.34	FT-SE-A 350	-6.65	Gas Distribution	-15.42
Gas Manufacturers	+1.08	Transport	-6.75	Financials	-16.80
FT-SE SmallCap	+0.49	Spirits, Wines & Ciders	-6.94	Telecommunications	-17.51
Breweries	-0.51	Consumer Goods	-7.06	Insurance	-18.23
Media	-0.57	Distributors	-7.15	Banks	-19.94
Electricity	-0.79	Electronic & Elect Equpt	-7.49	Tobacco	-22.76

FT - SE Actuaries Share Indices — The UK Series

	Aug 12	Day's chge%	Aug 11	Aug 10	Aug 9	Year ago	Div. yld%	Earn. yld%	P/E ratio	Xd adj. ytd	Total Return	1994 High		1994 Low		Since Compilation High		Since Compilation Low	
FT-SE 100	3142.3	+0.1	3138.2	3167.0	3168.6	3010.1	4.00	6.72	17.55	83.18	1181.69	3520.3	2/2	2876.6	24/6	3520.3	2/2/94	986.9	23/7/84
FT-SE Mid 250	3728.8	+0.1	3726.6	3716.9	3726.4	3455.5	3.31	5.56	21.66	83.11	1382.38	4152.8	3/2	3363.4	27/6	4152.8	3/2/94	1379.4	21/1/86
FT-SE Mid 250 ex Inv Trusts	3738.5	+0.1	3731.5	3720.6	3732.8	3465.9	3.45	6.00	20.19	86.35	1381.93	4160.7	19/1	3362.4	27/6	4160.7	19/1/94	1378.3	21/1/86
FT-SE-A 350	1589.7	+0.1	1587.9	1596.1	1598.7	1511.4	3.84	6.45	18.37	40.54	1223.08	1778.3	2/2	1451.3	24/6	1778.3	2/2/94	664.5	14/1/86
FT-SE SmallCap	1877.40	+0.1	1876.11	1874.04	1871.37	1720.60	3.01	4.14	31.61	34.47	1449.15	2094.98	4/2	1776.51	8/7	2094.98	4/2/94	1363.79	31/12/92
FT-SE SmallCap ex Inv Trusts	1845.96	+0.1	1843.54	1841.59	1839.53	1708.34	3.18	4.57	29.23	35.43	1428.39	2060.72	4/2	1752.58	12/7	2060.72	4/2/94	1363.79	31/12/92
FT-SE-A ALL-SHARE	1577.78	+0.1	1576.04	1585.28	1586.58	1498.30	3.78	6.28	18.94	38.45	1234.74	1764.11	2/2	1445.85	24/6	1764.11	2/2/94	61.92	13/12/74

■ FT-SE Actuaries All-Share

	Aug 12	Day's chge%	Aug 11	Aug 10	Aug 9	Year ago	Div. yld%	Earn. yld%	P/E ratio	Xd adj. ytd	Total Return	1994 High		1994 Low		Since Compilation High		Since Compilation Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3115.3	3128.3	3127.4	3114.0	3117.9	3117.2	3123.5	3136.9	3142.3	3142.5	3110.7
FT-SE Mid 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	1577.4	1582.8	1582.6	1577.1	1578.7	1578.6	1581.3	1586.7	1589.8	1589.7	1576.7

Time of FT-SE 100 High: 4.14pm Low: 10.45am

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pharmaceuticals	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Water	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Guinness defies sale talk

Busy turnover in Guinness excited speculation that one of the group's big shareholders might be looking to sell its stake. There was good two-way business for most of the session with dealers reporting Salomon Brothers prominent among the sellers – prompting speculation that the US-owned investment bank was attempting to dribble part of a large order into the market. Some observers even suggested that Salomon was selling on part of a large bought deal, perhaps intending to retain a significant stake after worries over a stock overhang had been removed and the shares rallied.

LVMH was being mooted as a possible seller, the French group having agreed earlier this year to reduce its stake in Guinness from 24 to 20 per cent, a total of 80m shares. A deadline of June next year has been set for the sale. Another investor being mentioned as a candidate for baling out was US investor Mr Warren Buffet. Having traded sideways, Guinness shares enjoyed a strong afternoon session, ending the day 8 ahead at 455p on turnover of 6.6m.

Unilever surge

Strong second quarter results from Unilever stunned the market and sent the shares soaring in the heaviest ever recorded daily turnover. Analysts had been expecting a slight fall in profits, with concerns expressed over the detergents market among other issues, all of which had served to depress the shares in recent sessions. However, Unilever turned in a healthy £611m profit – strong growth in the US and the rest of the world being compounded by good returns from speciality chemicals.

Many brokers were moving their profit forecasts upwards, together with a raft of positive recommendations. Mr Carl Short at SGST, a long-term bull of the stock, said: "There is now no reason why Unilever should be standing on a p/e discount to the market." He upgraded his full-year forecast by £21m to £2.374bn.

However, a less enthusiatic Mr Tim Potter at Smith New Court reiterated his negative stance. "These are better results, but one quarter does not justify a re-rating."

The shares surged 55 to 1097p in hefty volume of 9.3m.

At the same time, the sparkling Unilever results were being interpreted by speculative investors as a bellweather for the entire food manufacturing sector ahead of the half-time results season next month. United Biscuits gained 9 to 339p, Cadbury Schweppes 5 to 467p and Booker 7 to 441p.

Recs firm

The euphoria surrounding the regional electricity stocks since the distribution review by Offer, the electricity industry watchdog, gathered pace with many of the front-line broking houses telling their clients that the review provided plenty of upside in the sector.

"We have identified relative winners and losers, but it must be stressed that all the recs are winners under Offer's formula," said Mr Douglas Falconer at Yamaichi.

Kleinwirt Benson said: "The recs will become rated on a restructuring story as the market realises the hidden value of rec balance sheets and their National Grid holdings. With 10 per cent real dividend growth to 2000 the recs will outperform."

The recs were also boosted by news that BZW, the powerful UK investment bank, and Swiss Bank Corporation had issued call warrants on the sector. BZW issued 15m warrants to subscribe for baskets of recs, comprising Eastern, Midlands, Seeboard and Southern shares. SBC issued 1m warrants for baskets comprising East Midlands, Eastern, London, Midlands, Norweb, Southern and Yorkshire.

Among the best performers yesterday was Eastern, which jumped 24 to 763p, with the market still intrigued by the purchase of a near 3 per cent block of shares in a single trade on Wednesday afternoon, which continued to drive suspicions of possible takeover moves in the sector ahead of the lifting of the government's golden share next year.

Southern raced up 26 to 740p, Midland jumped 25½ to 756p, South West 25 to 739p and South Wales, 24 to 746p. Seeboard put on 18 to 414p.

Water stocks, left far behind the recs recently, staged a powerful rally with some institutions, unable to buy large lines of the recs, shifting into the waters. Severn Trent jumped 8 to 547p, and Anglian 5½ to 537½p.

Rumours in the US that Glaxo was interested in Ely Lilly, the drugs group, helped depress the UK company's shares in London, which closed a penny down at 623p. The Wall Street speculation was putting a $75 a share price on Lilly's head, its shares advancing $2 to $54¾ during London hours. Last month, Eli paid $4bn for PCS, a US drugs distributor.

There was a return of rumours that Grand Metropolitan might be looking to sell its stake in IEL, a jointly-owned pub retailing group. Australian-owned brewer Courage was again the name being touted as the most likely candidate to buy the stake, although there were suggestions that management could be involved in buying many of the pubs. Grand Met shares advanced 5 to 434p.

Lehman Brothers, the US brokerage, was responsible for the latest upsurge in British Gas shares, hoisting its rating on the stock and revising its earnings estimate for 1996, to take in the benefits of sharply increasing exploration and production profits and the benefits of restructuring.

Mr Simon Trimble, Lehman's energy analyst said market fears over the safety of Gas's dividend are unfounded, based on Lehman's forecast of future cash flows, that restructuring will cut costs by £600m a year and that Gas will respond vigorously to emerging competition in the domestic gas market "if it is allowed to comptete on an equal basis with new entrants".

Gas shares settled 2 higher at 288p after turnover of 4.6m.

Royal Insurance delivered one of the best individual performances in the FT-SE 100 list, the shares advancing 14 more to 279p as the market continued to warm to the excellent interim figures released on Thursday and the good growth prospects.

British Aerospace tumbled 13 to 491p on talk that a Japanese airline was seeking to cancel or delay its order for five A340 Airbus aircraft and five options.

British Steel succumbed to profit-taking and the shares eased 1¾ to 160½p after trade of 7.2m.

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (38).
DISTRIBUTORS (1) Brammer, ELECTRICITY (1) Eastern, ELECTRNC & ELECT EQUP (2) Dewhurst A, Prestec, ENGINEERING (5) Castings, Haden MacLellan, Thyssen, Tinsley (E), UMECO, ENG, VEHICLES (1) Trinity, EXTRACTIVE INDS (3) FOOD MANUF (1) Matthews (B), INSURANCE (1) Lombard Insce., INVESTMENT TRUSTS (8) LEISURE & HOTELS (2) Boosey & Hawkes, Chrysalis, MEDIA (1) Metro Radio, OTHER FINANCIAL (1) Exco, OTHER SERVS & BUSNS (2) Greenway, Planetbrook, RETAILERS, GENERAL (2) Etam, French Connection, SPIRITS, WINES & CIDERS (2) Macallan-Glenlivet, Macdonald Martin A, SUPPORT SERVS (4) Admiral, Page (M), Reed Executive, Rolfe & Nolan, TEXTILES & APPAREL (1) Bullers, TRANSPORT (1) Applied Distribution, WATER (1) South Staffs, AMERICANS (1).
NEW LOWS (63).
GILTS (16) BANKS (1) Ottomane Bank, BUILDING & CNSTRN (1) Eve, BLDG MATLS & MCHTS (1) Explaura, DISTRIBUTORS (3) Azlan, Burndene, Kwik-Fit, ENGINEERING (2) Beckenham, Hunting, EXTRACTIVE INDS (1) Precious Metals Australia, HEALTH CARE (1) Eyecare Products, HOUSEHOLD GOODS (2) Joyes, Tomkinsons, INVESTMENT TRUSTS (8) INVESTMENT COMPANIES (1) LIFE ASSURANCE (1) Lincoln National, MEDIA (2) MERCHANT BANKS (1) OIL, EXPLORATION & PROD (1) Dragon Oil, OIL, INTEGRATED (1) Chevron Crpn., OTHER FINANCIAL (1) Union, PHARMACEUTICALS (2) Cantab Pharms., Novo Nordisk B, PRTNG, PAPER & PACKG (1) Brit. Thornton, PROPERTY (3) Bilton, INOCO, Safeland, RETAILERS, FOOD (1) Appleby Westward, RETAILERS, GENERAL (1) Upton & Southern, SUPPORT SERVS (1) Johnson Cleaners, TRANSPORT (1) Eurotunnel Wts. 1993, AMERICANS (6) CANADIANS (1).

■ CHIEF PRICE CHANGES YESTERDAY

London (Pence)

Rises			
Admiral	645	+	9
BOC Grp.	725	+	11
Guinness	455	+	8
Haden MacLellan	84	+	5
Inspiration	124	+	6½
Leeds Grp.	282	+	13
Nightfreight	105	+	5
Plantsbrook	148	+	48
Reckitt & Colman	631	+	24
Royal Insurance	279	+	14
Sthn. Electric	740	+	26
Unilever	1097	+	55
Utd Biscuits	339	+	9
Falls			
Eurotunnel	291	-	6
Tadpole Tech.	402	-	16
Tiphook	33	-	5
Union	108	-	6

TO SAVE ALL THESE TREES WE HELP CHOP DOWN THIS ONE.
WWF World Wide Fund For Nature

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales. [illegible]

CITY INDEX — THE CITY'S BOOKMAKER. The Market Leaders in spread betting - Financial and Sports. For a brochure and an account application form call 071 283 3667. Accounts are normally opened within 72 hours. See our up-to-date prices 8a.m. to 9p.m. on Teletext page 605

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✠) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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FT MANAGED FUNDS SERVICE

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Thornton Unit Managers Ltd - Contd.

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK Growth	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Accum Units	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gt. High Yield	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Accum Units	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UK Mid-Cap	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Accum Units	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UK Smlr Cos	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Accum Units	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UK Smaller Cos Div	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Accum Units	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Waverley Unit Tst Mngmt Ltd (1000)F
13 Charlotte Sq, Edinburgh 031-225 7551

Australasian Gold	6	[illegible]	[illegible]	[illegible]	[illegible]	–
Pacific Basin	6	[illegible]	[illegible]	[illegible]	[illegible]	–
Can Balanced Gwth	6	[illegible]	[illegible]	[illegible]	[illegible]	–
Global Bond	4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Penny Shares	6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Whittingdale Unit Tst Mngmt Ltd (0830)F
2 Honey Lane, London EC2V 8BT 071-600 0482

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Woolwich Unit Trust Managers Ltd (1700)H
2 White Oak Square, Swanley BR8 7AG 081-298 4000

Stockmarket Fd	5	78.80	78.82	83.63	+0.07	1.85

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Exmt Aug 3	791.5	817.3	—	0.83
Baring Investment Mngmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071-214 1050 (general enquiries) 071-214 1004 (dealing)				
Charitable Funds				
UK Growth & Income	[illegible]	[illegible]	[illegible]	3.2
Income Plus	[illegible]	[illegible]	[illegible]	7.1
CAF – Charity Money Management				
48 Pembury Rd, Tonbridge TN9 2JD 0732 770114				
Balanced Growth	[illegible]	[illegible]	—	4.07
Income	[illegible]	[illegible]	—	6.72
CIM Unit Trust Managers Ltd				
Co-op Bank Ethical Ex Jul 1	[illegible]	[illegible]	—	3.42

For James Capel see HSBC Asset Mngt Europe Ltd

Cent. Bd. of Fin. of Church of England‡
2 Fore Street, London EC2Y 5AD 071-588 1815

Inv Fund Jul 31	853.45	881.65	—	4.58
Fxd Int Sec Jul 31	146.35	146.35	—	6.76

Deposit Fund: See Money Market Trust Funds.

Abbey National Life Plc
287 St Vincent Street, Glasgow 041 305 8000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	114.6	120.6	-0.3	–
UK Equity	115.4	121.4	-0.3	–
International	121.3	127.7	-0.6	–
Deposit	101.4	106.7	–	–
Pension Managed	115.6	121.6	-0.4	–
Pension UK Equity	114.9	121.0	-0.2	–
Pension International	[illegible]	[illegible]	-0.6	–
Pension Deposit	104.4	109.9	–	–

Aetna Life Assurance Ltd
42 Southwark Bridge Road, London SE1 9HE 071 900 3433

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AEGON Life Assurance Co (UK) Ltd
AEGON Hse, Lanark Sq, London E14 9QS 071-538 8600

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCES

AIG Life

AXA Equity & Law Life Assce

Abbey Life Assurance Co Ltd

Clerical Medical/Fidelity Investments

Clerical Medical Investment Group

Friends Provident - Contd.

Lancashire & Yorkshire Assce Society

Legal & General

Lincoln Assurance Co Ltd

London & Manchester Assurance (z)

MGM Assurance (z)

Manchester Unity Assurance

Mercury Life Assurance Co Ltd

Norwich Union Life Insurance Soc. - Contd.

Norwich Union Pensions Management Ltd

Pearl Assurance (Unit Funds) Ltd

Pheonix Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Property Life Assurance Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assoc. Assur.

Prudential Assurance Co

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Prudential Individual Pension Funds

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Scottish Amicable Investment

Scottish Equitable plc

Scottish Life Investments

Scottish Mutual Assurance plc

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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Scottish Mutual Assurance plc - Contd.

Scottish Provident Group

Scottish Widows' Group

Skandia Life Assurance Co Ltd (z)

Standard Life Assurance Company

Sun Alliance Group

Sun Alliance Group - Contd.

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assurance Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Albany International Assurance Ltd

Allied Dunbar International Assce Ltd

CMI Insurance Co Ltd

Century Life International Ltd

Eagle Star Intl Life

Equitable Life (International)

Eurolife Assurance Group

Fidelity International Ltd

Friends Provident International

Hansard International Ltd

Isle of Man Assurance Ltd

Lombard International Group

ProCorp Life

Professional Insurance Consultants

Providence Capital International Ltd

Royal Life International

Scottish Provident Intl Life Ass Ltd

Sun Alliance International Life

Sun Life International (IOM) Ltd

MANAGEMENT SERVICES

Capital Trust Financial Management

Cicero de Vere PLC

Cornhill Insurance

Fenchurch Financial Services

Friends Provident

Johnson Fry Asset Managers Plc

Lloyds Bank

March Financial Management PLC

Rothschild Financial Management Ltd

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Jupiter Tyndall (Bermuda) Ltd

GUERNSEY (SIB RECOGNISED)

Baring Fd Mgrs (CI) Ltd

IRELAND (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

IRELAND (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

[illegible]

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds

Abtrust Fund Mngrs Luxembourg SA (u)

HSBC Investment Funds Luxembourg SA (u)

LUXEMBOURG (REGULATED)(**)

Astra International Umbrella Fund (u)

Israel Selection Fund

Lloyds Bank Luxembourg (u)

"WINTERTHUR" Fund Mngmt Co (Lux) SA

World Bond Fund–SICAV (z)

World Trust Fund

Yamaichi Advanced Technology Fund

Yamaichi 1992 DMM Fund SICAV (z)

OTHER OFFSHORE FUNDS

Ermitage Group

Jardine Fleming Unit Trusts Ltd - Contd.

Johnson Fry Securities Ltd

Jupiter Tyndall (Bermuda) Ltd

Putnam Embassy Funds Ltd

Putnam International Advisers Ltd

Quantum Group

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Aug 12 / US$)

EUROPE

AUSTRIA (Aug 12 / Sch)

BELGIUM/LUXEMBOURG (Aug 12 / Frs.)

DENMARK (Aug 12 / Kr)

FINLAND (Aug 12 / Mkka)

FRANCE (Aug 12 / Frs.)

GERMANY (Aug 12 / Dm.)

ITALY (Aug 12 / Lire)

NETHERLANDS (Aug 12 / Fls.)

NORWAY (Aug 12 / Kroner)

SPAIN (Aug 12 / Pts.)

SWEDEN (Aug 12 / Kronor)

SWITZERLAND (Aug 12 / Frs.)

CANADA (Aug 12 / Can. $)

AFRICA

SOUTH AFRICA (Aug 12 / Rand)

PACIFIC

JAPAN (Aug 12 / Yen)

AUSTRALIA (Aug 12 / Aust$)

HONG KONG (Aug 12 / H.K.$)

MALAYSIA (Aug 12 / MYR)

SINGAPORE (Aug 12 / S$)

[illegible]

INDICES

	Aug 12	Aug 11	Aug 10	1994 High		1994 Low	
Argentina							
General (29/12/77)	(u)	19731.79	19732.48	25479.40	16/2	17756.90	20/4
Australia							
All Ordinaries(1/1/80)	2051.9	2062.8	2076.5	2340.60	3/2	1957.40	27/6
All Mining(1/1/80)	1006.5	1008.1	1015.4	1138.10	3/2	904.80	5/5
Austria							
Credit Aktien(30/12/84)	415.64	419.47	419.25	460.66	2/2	398.97	22/6
Traded Index(2/1/91)	1104.99	1114.88	1115.39	1222.25	1/2	1011.38	6/6
Belgium							
BEL20 (1/1/91)	1458.02	1466.51	1469.58	1542.66	9/2	1389.96	13/7
Brazil							
Bovespa (29/12/83)	(u)	44638.0	45132.0	45609.00	8/6	3980.90	3/1
Canada							
Metals Minls♦(1975)	(u)	3845.35	3907.92	3985.31	3/6	3299.06	20/4
Composite♦ (1975)	(u)	4174.70	4205.10	4609.90	23/3	3899.80	24/6
Portfolio§§ (4/1/83)	(u)	1972.18	1986.10	2182.89	1/2	1083.17	20/7
Chile							
IPGA Gen (31/12/80)	(u)	4441.6†	4437.9	4887.80	4/2	3891.20	4/4
Denmark							
CopenhagenSE(3/1/83)	384.66	371.03	373.00	415.79	2/2	368.60	22/6
Finland							
HEX General(28/12/90)	1822.1	1852.7	1876.1	1972.00	4/2	1601.10	3/1
France							
SBF 250 (31/12/90)	1348.84	1365.87	1378.65	1585.29	2/2	1268.38	4/7
CAC 40(31/12/87)	2006.95	2038.93	2064.17	2355.93	2/2	1886.18	4/7
Germany							
FAZ Aktien(31/12/58)	804.51	821.76	816.30	898.27	18/5	757.51	27/6
Commerzbank(1/12/53)	2279.5	2300.8	2317.40	2466.50	2/5	2149.30	27/6
DAX (30/12/87)‡	2124.68	2155.28	2160.37	2271.11	16/5	1960.82	20/6
Greece							
Athens SE(31/12/80)	896.08	890.67	888.07	1194.58	18/1	808.97	25/5
Hong Kong							
Hang Seng(31/7/64)	9464.56	9524.54	9618.06	12201.09	4/1	8369.44	4/5
India							
BSE Sens.(1979)	4508.1	4394.2	4365.0	4508.10	12/8	3484.00	5/1
Indonesia							
Jakarta Comp.(10/8/82)	475.00	473.53	471.68	612.86	5/1	449.72	12/7
Ireland							
ISEQ Overall(4/1/88)	1830.19	1842.45	1862.41	2082.18	20/1	1694.14	1/7
Italy							
Banca Comm Ital (1972)	644.43	669.17	674.52	817.17	10/5	588.85	10/1
MIB General (4/1/94)	1041.0	1061.0	1090.0	1318.00	10/5	944.00	10/1
Japan							
Nikkei 225 (16/5/49)	20663.83	20821.36	20770.25	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	300.20	302.45	302.15	311.71	13/6	268.22	4/1
Topix (4/1/68)	1651.78	1662.52	1661.50	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2460.69	2465.74	2467.20	2542.65	6/7	1873.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	1105.29	1111.48	1092.80	1314.46	5/1	926.33	4/4
Mexico							
IPC (Nov 1978)	(u)	2596.89	2574.57	2881.17	8/2	1957.33	20/4
Netherland							
CBS TtRtnGen(End 83)	433.7	436.9	438.3	454.90	31/1	408.38	21/6
CBS All Shr (End 83)	275.2	277.3	278.2	294.80	31/1	257.90	21/6
New Zealand							
Cap. 40 (1/7/86)	2071.94	2067.19	2088.10	2439.64	3/2	1945.51	11/7
Norway							
Oslo SE(Ind)(2/1/83)	1102.83	1119.03	1126.05	1271.10	28/2	980.91	21/6
Philippines							
Manila Comp (2/1/85)	3007.36	2976.99	2944.19	3398.37	4/1	2507.33	9/3
Portugal							
BTA (1977)	2891.5	2894.0	2886.4	3226.60	18/2	2612.80	20/6
Singapore							
SES All-S'pore(2/4/75)	572.39	568.94	566.30	641.61	4/1	523.29	4/4
South Africa							
JSE Gold (28/9/78)	2155.0♥	2195.0	2223.0	2331.00	4/1	1749.90	14/2
JSE Indl. (28/9/78)	6580.0♥	6641.0	6695.0	6767.00	15/6	5448.00	19/1
South Korea							
KoreaCmpEx(4/1/80)**	945.74	939.19	930.21	974.26	2/2	855.37	2/4
Spain							
Madrid SE (30/12/85)	312.89	318.38	321.06	368.31	31/1	291.43	6/7
Sweden							
AffarsvardnGen (1/2/37)	1416.3	1441.5	1488.8	1603.90	31/1	1334.70	6/7
Switzerland							
Swiss Bk Ind (31/12/58)	1237.99	1238.97	1236.75	1423.94	31/1	1157.97	18/7
SBC General (1/4/87)	921.51	924.63	925.08	1093.29	31/1	888.10	13/7
Taiwan							
WeightedPr.(30/6/66)**	6628.14	6692.02	6839.01	6944.91	9/8	5194.63	19/3
Thailand							
Bangkok SET (30/4/75)	(c)	1425.49	1407.32	1763.73	4/1	1199.59	4/4
Turkey							
Istanbul Cmp.(Jan 1986)	24438.9	23949.5	23954.5	28883.60	13/1	12860.70	24/3
WORLD							
MS Capital Int (1/1/70)$	631.2*	629.5	632.2	641.00	1/2	591.60	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1352.33	1376.03	1384.35	1540.19	31/1	1303.46	21/6
Euro Top-100 (26/6/90)	1200.14	1214.63	1222.63	1311.81	2/2	1143.06	21/6
JCapelOrgns (31/12/88)	(u)	328.68	328.78	385.19	5/1	280.28	21/3
Barings Emerg.(7/1/92)	173.41	173.87	174.26	182.72	14/2	141.66	21/4

CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Aug	2016.0	2019.0	-24.0	2032.0	2001.0	914	27,661
Sep	2022.2	2026.5	-24.0	2033.0	2010.5	121	7,999
Dec	2061.0	2055.5	-23.5	2061.0	2047.5	200	4,189

Open interest figures for previous day.

US INDICES

Dow Jones	Aug 11	Aug 10	Aug 9	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3750.90	3766.76	3755.76	3978.36 (31/1)	97.64 (28/7)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	97.83	97.97	98.11	105.61 (21/1)	96.43 (13/5)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1592.09	1603.59	1598.07	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	187.65	189.36	188.57	227.06 (3/1)	176.71 (24/6)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3785.86 (3793.96) Low 3728.69 (3738.27) (Theoretical♦)
Day's high 3773.69 (3777.12) Low 3736.66 (3755.11) (Actual♦)

Standard and Poors	Aug 11	Aug 10	Aug 9	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	458.88	460.30	457.93	482.00 (2/2)	438.92 (4/4)	534.19 (29/7/94)	4.40 (1/6/32)
Industrials♥	534.78	536.53	533.53	580.59 (2/2)	510.05 (21/4)	580.59 (2/2/94)	3.62 (21/6/32)
Financial	45.08	45.15	45.00	48.94 (14/6)	41.39 (4/4)	48.48 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	253.31	254.20	252.98	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (28/4/42)
Amex Mkt Val	443.25	443.97	442.22	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	728.20	728.20	722.61	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

RATIOS

	Aug 5	Jul 29	Jul 22	Year ago
Dow Jones Ind. Div. Yield	2.72	2.72	2.74	2.87
	Aug 10	Aug 3	Jul 27	Year ago
S & P Ind. Div. yield	2.43	2.42	2.45	2.52
S & P Ind. P/E ratio	23.51	23.65	23.13	26.14

STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Sep	458.40	458.80	+0.40	466.90	457.20	72,739	197,034
Dec	-	460.95	-2.70	-	-	1,818	18,745
Mar	-	464.30	-2.65	-	-	701	3,830

Open interest figures are for previous day.

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Close price	Change on day
Telefonos	3,891,000	63¼	+¼
Evans Withy	3,603,500	20¾	+⅜
Compaq	3,391,400	35	-⅛
Merck	3,334,000	32	-¼
Gap	2,849,000	41¼	+4⅜
Micron	2,667,200	42¼	...
Union Carbide	2,549,400	33⅜	+⅜
Ford Motor	2,499,000	28⅜	-½
Gen Elec	2,453,700	47½	-⅜
IBM	2,429,100	64¾	+⅜

TRADING ACTIVITY

● Volume (million)

	Aug 11	Aug 10	Aug 9
New York SE	275.677	279.474	259.019
Amex	16.484	17.847	14.079
NASDAQ	303.411	326.433	241.583
NYSE			
Issues Traded	2,831	2,846	2,859
Rises	727	1,189	971
Falls	1,381	941	1,145
Unchanged	723	716	740
New Highs	28	63	29
New Lows	71	51	72

** Sat Aug 6 : Taiwan Weighted Price 6940.32; Korea Comp Ex 932.7 . Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Aug 12 - 2133.74 -22.57

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

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WORLD STOCK MARKETS

AMERICA

Rally in bond prices lifts US stocks

Wall Street

A sharp rally in bond prices, in the wake of encouraging inflation news, helped the US stock market yesterday to end a difficult week on an upbeat note, *writes Patrick Harverson in New York.*

By 1pm, the Dow Jones Industrial Average was up 17.48 at 3,768.38. The more broadly based Standard & Poor's 500 was also firmer at the halfway mark, up 2.82 at 461.70, while the American Stock Exchange composite was up 0.09 at 443.34 and the Nasdaq composite was 2.27 higher at 730.47. Volume on the New York Stock Exchange was 150m shares by 1pm.

After bond and stock prices had fallen on Thursday, following disturbing producer prices and retail sales data which raised expectations that the Federal Reserve would put up interest rates again soon, the situation was partially reversed yesterday. Good news on inflation – the consumer prices index rose by only 0.3 per cent in July, a smaller increase than analysts had been expecting – lifted bonds and stocks because it soothed fears of an imminent interest rate increase.

Although analysts warned that monetary policy would probably still be tightened by the Fed some time in the near future, the CPI figure was a welcome boost to short-term sentiment after a difficult week in which long-term bond yields had risen steadily. Yesterday, however, bond yields fell, with the benchmark 30-year issue advancing almost a full point, which pushed its yield down to 7.475 per cent – the first time it had been below 7.5 per cent in a week.

Share prices responded immediately to the encouraging move in bond yields, with blue-chip stocks rising steadily from the opening bell. Secondary markets also fared well, although leading shares on the American Stock Exchange struggled to keep up.

Among individual stocks, Exxon jumped $2¾ to $60¾ in volume of 1.6m shares as investors celebrated Thursday's decision by a jury that the oil group was liable for only $287m in compensatory damages for the Exxon Valdez oil spill in Alaska in March, 1989. The total award was significantly lower than the $895m asked for by the plaintiffs.

Eli Lilly climbed $2 to $54¾ amid mounting speculation that Glaxo will buy part of PCS – the US group's managed healthcare subsidiary, which was acquired from McKesson earlier this year in a $4bn transaction. Glaxo shares were unchanged at $19¼.

United American Healthcare rose $1¾ to $19¾ after a national newspaper reported analysts' predictions of strong growth for the stock in the coming year.

Leading bank stocks rebounded from recent declines because of interest rate fears. Bankers Trust rose $1 to $68 and Citicorp added $¼ at $42¾.

Canada

Toronto stocks were mixed at midday as weak gold and real estate stocks offset gains in most other sectors.

Insurance stocks weakened after the news that Confederation Life Insurance, the country's fifth biggest insurance company, was to be wound up. Federal regulators took control of the group after the failure of efforts to put together a bail-out package.

The TSE 300 composite index eased 1.90 to 4,172.78 in volume of 26.84m shares valued at C$475.22m. Advances led declines by 269 to 256, with 249 issues flat.

Mexico

Mexican shares were slightly higher in early trading with analysts expecting another volatile session caused by pre-election speculation.

The IPC index added 9.23 to 2,606.12 in 15.5m shares.

Amsterdam is gripped by hopes and fears

Ronald van de Krol assesses the Dutch market

In most countries, the failure to form a new government more than 100 days after a general election would be expected to spark, at the very least, some sort of reaction on the stock exchange.

In the Netherlands, where coalition governments are the norm and economic stability is almost ingrained, the Amsterdam Stock Exchange has hardly taken any notice of the drawn-out political talks in The Hague.

This week the deadlock appears to have been broken at last, though this caused little excitement on the bourse. This might seem surprising because the proposed new government – comprising members of Labour, the right-wing Liberals and the left-of-centre D66 – would be the first in modern Dutch history to exclude from power the Christian Democrats, the main losers in the May 3 general election.

But as Mr Kees de Vaan, an analyst at Amsterdam-based merchant bank MeesPierson, says: "The government formation talks have been a non-event for the bourse." The main political parties are in broad agreement on the economy and the new government, when it is installed, will bring only nuance differences to existing policies, he notes.

The prospect of a new government taking office next week will make little difference to sentiment on the bourse. And the strong likelihood that the finance minister will be from the Liberal party should quell any nervousness on the government bond market.

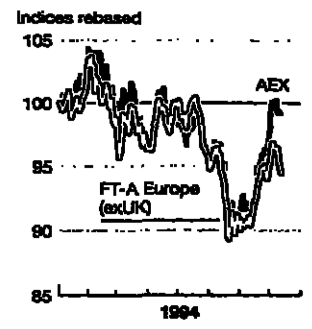
Far from dwelling on politics, the Amsterdam exchange has spent much of the summer focusing on the dollar, interest rates and second-quarter corporate earnings, which reached a peak over the past 14 days with results from companies such as Philips, Royal Dutch, Unilever, Akzo, DSM and Hoogovens.

As probably the most dollar-sensitive exchange in Europe, the Dutch bourse was hit briefly by dollar weakness earlier in the summer. But it has recovered well from the lows of late June, when the Amsterdam-EOE Index (AEX) hit 376.7 points after falling steadily from a high of 438.7 in late January.

The reporting season of early August has seen Amsterdam swing from euphoria to nervousness. In spite of some strong gains that took the index up to more than 420 points and a series of sharp rises in corporate profits, the bourse has failed to achieve earler heights, closing yesterday at 414.43.

The bourse's mixture of hope and fear is part of the market's transition to a new preoccupation with earnings following two years in which it has been driven mainly by interest rate concerns.

Netherlands



Source: FT Graphite

Two of Amsterdam's cyclical companies, the chemicals groups Akzo and DSM, started the reporting season on August 3 with figures showing steep profit rises. Although the results exceeded analysts' expectations they led to some profit-taking on the day, reflecting the fact that both companies have outperformed the bourse in recent months. Since then Akzo has fallen further to trade at Fl 218.70 compared with Fl 219.50 on August 2, while DSM has slipped to Fl 144.50 from the Fl 147 level in early August.

In spite of the jagged price movements this month, analysts believe that some stocks, including individual cyclicals, still have room to rise.

ABN Amro, in its August strategy report, said that it was cautious for the short term, but added there was a possibility that the AEX might stand at around 465 points by mid-1995.

"Our strategy remains unchanged," the bank said. "We continue to be overweight in cyclical shares."

MeesPierson, noting that market valuation was already high in historical terms, is forecasting a 15 per cent return for the bourse over the next 12 months.

Analysts are agreed that selectivity is important, even in the popular cyclical end of the market.

Of the two chemicals companies, Akzo is preferred for long-term potential over DSM. Other cyclicals cited as buys are KNP BT, the big Dutch-based paper and packaging group; Hunter Douglas, the manufacturer of venetian blinds and ceiling systems; and Nedlloyd, the Rotterdam road and ocean-going transport company.

Not all company results were well received. The nearly 15 per cent rise reported on Tuesday by PolyGram, the music company that is majority-owned by Philips, fell short of expectations, helping to unsettle the other parts of the market briefly at mid-week.

In recent days investors in Amsterdam have shown that they are looking not only at second-quarter results but also at forecasts for the rest of the year. Hoogovens, which reported a swing back into profit for the first half, pleased the market with forecasts of substantial increases to come. Its shares rose by 4.7 per cent to Fl 80.70 on Wednesday after the results.

Another beneficiary from a strong forecast is Philips, which trebled net profit before extraordinaries at the half-year stage and predicted a substantial increase for the year as a whole.

Banks and insurers, underperformers in recent months and not due to report until later in August, seem out of favour with many analysts because of the potential for rises in long-term interest rates.

EUROPE

Rate rise shock waves ease in the afternoon

The shock administered by Thursday's key rate rises in Sweden and Italy was alleviated to some extent by lower than expected inflation data in the US, a recovery in Treasuries and the same pattern in European bond markets, *writes Our Markets Staff.*

FRANKFURT was nearly 2 per cent down at one stage as the Bundesbank's average bond yield rose 26 basis points to 7.11 per cent. However, the Dax index closed the session 30.60 lower at 2,124.68, a 2.7 per cent loss on the week, recovered to an Ibis-indicated 2,133.74 at the end of the post-bourse.

Turnover rose again, from DM7.1bn to DM7.7bn. The session was notable for falls in the leaders, Allianz and Daimler both dropping more than 2 per cent, Siemens by DM10.50 to DM673.10 and Deutsche Bank by DM12.80 to DM693.20.

Germany's biggest bank was more than 6 per cent down on a painful week which culminated in debt rating fears, waved away by Standard & Poors and Moody's, and an earnings downgrade by Lehman Brothers from DM50 to DM43.40 a share. Metallgesellschaft fared worse, DM16, or 7.7 per cent lower at DM190.50 after the board expressed caution about a DM250 a share rights issue price.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Aug 12 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1350.87	1344.70	1343.59	1342.49	1341.48	1345.88	1353.86	1352.33
FT-SE Eurotrack 200	1406.28	1399.50	1397.03	1397.74	1399.92	1403.29	1408.90	1408.39

	Aug 11	Aug 10	Aug 9	Aug 8	Aug 5
FT-SE Eurotrack 100	1376.03	1384.35	1393.35	1408.19	1408.12
FT-SE Eurotrack 200	1425.70	1432.72	1439.28	1450.01	1446.96

Base 1000 (26/10/90); High/day: 100 - 1354.05; 200 - 1411.78 Low/day: 100 - 1340.74 200 - 1395.80

PARIS just held the 2,000 support level, the CAC-40 index sliding by 31.98 or 1.6 per cent to 2,006.95, down 4.8 per cent on the week after a session low of 1,992.52. Turnover was FFr3.5bn.

Alcatel Alsthom, down FFr23 at FFr600, was marked down sharply after Lehman Brothers downgraded the stock from outperform to underperform, cut its 1994 and 1995 estimates, and said that it was removing the company from its recommended list.

Lehman said that problems in the German telecoms division would result in a 1994 loss, while its entry into the mobile telephone market was "somewhat late, such that they [Alcatel] will produce 500,000 handsets in 1994, compared with Nokia's 25m. Other potential positives for the stock – orders in China and ATM [a new telecommunications technology] are either too small or too far off to have a material impact on earnings in the short term."

MILAN reacted to Thursday's after-hours rate move by marking down prices across the board. Nerves were frayed further by rumours that Mr Silvio Berlusconi, the prime minister, might step down as the lira came under renewed pressure on the money markets.

Mr Berlusconi was due to make a televised address to the nation last night.

The Comit index closed down 24.74 or 3.7 per cent at 644.43, a fall of 8.4 per cent on the week.

Mr William Cowan of James Capel in London remarked that the Bank of Italy, through its "opportunistic timing" of the rate rise, had sent a political message to the government of Mr Berlusconi.

With most of the country's political leaders currently on holiday, Mr Cowan thought it was unlikely that the government would react immediately to the bank's action. However, he thought the bank's action would have a positive outcome, causing the government to take measures to reduce the budget deficit.

AMSTERDAM ended a heavy week of results with good figures from Unilever, which came in at the top end of expectations; but the overall tone was negative. Unilever picked up Fl 2.10 to Fl 195.90, off a high of Fl 197.90 and unable to sustain the AEX index which closed off 2.38 at 414.43, a week's fall of 1.2 per cent.

ZURICH recovered from an intraday decline of nearly 2 per cent to end with the SMI index down 8.3, or just 0.3 per cent at 2,580.5, 0.4 per cent lower on the week.

Financials were a percentage point weaker on the day. But Swissair, up SFr6 at SFr855, was 6.9 per cent up on the week and SMH, adding another SFr2 at SFr182, a full 10.3 per cent better over five days.

MADRID's afternoon recovery left the general index down 5.49 at 312.89, 2.8 per cent lower on the week. Turnover of Pta35.1bn was high, considering the August holiday period.

Analysts suggested that the market was still nervous because of rate-rise possibilities, especially in Europe. The banking group, Argentaria, obviously rate sensitive, weakened Pta230, or 4 per cent to close at Pta5,500.

STOCKHOLM, too, closed above its worst, in this case falls of around 3 per cent, with the Affärsvärlden General index down 25.20 at 1416.30, off 4.7 per cent on the week, in heavy turnover of SKr2.73bn. Analysts felt that the big market correction was over, and anticipated rises.

Written and edited by William Cochrane, John Pitt and Saqib Qureshi

SOUTH AFRICA

Rumours that the financial rand could be abolished over the weekend unnerved the markets in Johannesburg. The overall index shed 71 to 5,812, industrials lost 61 to 6,580 and golds 40 to 2,155.

ASIA PACIFIC

Bombay's BSE index closes at record high

Tokyo

A rise in the yen prompted profit-taking and arbitrage selling also dragged share prices lower. The Nikkei index reversed a two-day advance, although it still closed 0.7 per cent higher on the week, *writes Emiko Terazono in Tokyo.*

The 225 average declined 157.53 to 20,663.83 after a high of 20,825.07 and a low of 20,643.08. Some brokers tried to push the index up at the opening to support prices for options settlement, but profit-taking and arbitrage selling came in later.

Volume totalled 230m shares against 248m. The bulk of morning trading was linked to the options settlement, and afternoon volume was the lowest of the year. Public funds, which had supported activity during the week, were absent, while buying of steel and chemical stocks by foreign investors remained small.

The Topix index of all first section stocks fell 10.74 to 1,651.78 and the Nikkei 300 lost 2.25 to 300.20. Declines led advances by 659 to 266 with 216 unchanged and, in London, the ISE/Nikkei 50 index fell 3.10 to 1,333.27.

Arbitrage selling depressed bank stocks. Industrial Bank of Japan fell Y30 to Y3,010. Brokers were also easier, with Nomura Securities losing Y10 to Y2,250.

Chemical stocks were supported by foreign buying. Mitsubishi Kasei gained Y2 to Y550 and Showa Denko added Y5 to Y374.

The rise in the yen to the Y100 level against the dollar hurt high-technology electricals. Hitachi fell Y5 to Y995, NEC lost Y50 to Y1,190 and Fujitsu declined Y10 to Y1,070.

In Osaka, the OSE average lost 133.75 to 22,964.61 in volume of 39.8m shares.

Roundup

Positive performances were seen in the region's markets yesterday.

BOMBAY closed at an all-time high, already enthused by good corporate results and normal monsoon rains, and encouraged further by heavy speculative buying.

The BSE index closed at 4,508.15, up 113.88 or 2.6 per cent, a rise of 4.8 per cent on the week. Many local analysts expected the market to hit the 5,000 mark by the end of the year as foreign investors returned and further good interim results came through. However international analysts were slightly more bearish, fearing the weak political situation may depress any significant rises.

HONG KONG rebounded late in the session after hesitancy attributed to Monday's interims from HSBC, and Tuesday's meeting of the US FOMC.

The Hang Seng eased 59.98 to 9,464.56, down 1.4 per cent on the week, in turnover of HK$3.24bn.

TAIPEI fell back for the third successive session on nervousness prompted by central bank moves to tighten liquidity to prevent more funds flowing into the equity market. The weighted index fell 63.88, nearly 1 per cent, to 6,628.14 in moderate volume as the overnight interbank rate increased to 10.625 per cent.

The electronics sector was the worst hit having been overbought in previous sessions. Analysts suggested that the market would consolidate further before testing the 6,700 resistance level again. The market lost 4.2 per cent on the week.

MANILA broke through the 3,000 level as strong liquidity and sound economic fundamentals pushed the index up 30.37 to close at 3,007.36 on volume of 4.1bn shares.

Analysts expected the market to continue to improve next week when the required reserve on bank deposits are cut 3 per cent to 17 per cent on Monday.

SYDNEY closed lower on continuing fears of an imminent rise in domestic interest rates. The All Ordinaries index closed 10.9, or 0.5 per cent, lower at 2,051.9 in turnover of 150.1m shares, a loss of 1.9 per cent over the week.

Banks were generally weaker. Westpac lost 4 cents to A$4.46 and the Commonwealth 17 cents to A$8.85.

SINGAPORE rose in heavy trading as retail investors switched funds from Malaysian issues to local second-line stocks. The Straits Times Industrial index put on 17.76 to 2,317.79 in volume of 445.6m shares valued at S$965.56m, a gain of almost 2 per cent during the week.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	THURSDAY AUGUST 11 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY AUGUST 10 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium (37)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada (105)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark (33)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland (24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France (97)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany (58)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hong Kong (55)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy (61)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan (468)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia (98)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mexico (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherland (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Singapore (44)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
South Africa (58)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain (43)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden (36)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland (47)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom (204)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
USA (519)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EUROPE (720)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nordic (116)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Basin (749)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Euro-Pacific (1469)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
North America (624)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Europe Ex. UK (516)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Ex. Japan (280)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. US (1651)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. UK (1966)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. So. Af. (2111)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. Japan (1701)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
The World Index (2170)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied-Lyons	550	28	–	–	21	–	–
(*590)	600	10½	–	–	53¼	–	–
Argyll	260	25	31½	37	8	14½	18

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Hanson	260	18	20½	24	10½	15½	19
(*265)	280	7	10	18	23	27	30½
Lasmo	134	27	–	–	5	–	–

RISES AND FALLS

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	15	52	3	97	198	54
Other Fixed Interest	0	0	15	0	3	72
Mineral Extraction	19	107	74	257	311	432
General Manufacturers	80	179	387	646	690	1,894
Consumer Goods	41	36	110	209	178	548
Services	85	101	320	473	443	1,614
Utilities	24	11	10	85	64	56
Financials	48	140	180	402	468	970
Investment Trusts	36	145	286	415	401	1,519
Others	11	75	40	201	216	234
Totals	359	846	1,425	2,785	2,993	7,393

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	August 8	Expiry	November 10
Last Dealings	August 19	Settlement	November 24

Calls: Alvis, Bank of Ireland, Ennex Intl., Tullow Oil Puts: Bank of Ireland, Tullow Oil Put & Call: Alvis

LONDON RECENT ISSUES: EQUITIES

RIGHTS OFFERS

FINANCIAL TIMES EQUITY INDICES

FT GOLD MINES INDEX

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or –	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£22$\frac{1}{16}$	+$\frac{1}{32}$	£29$\frac{1}{8}$	£20$\frac{11}{16}$	6,672	6.1	ф
ANZ A$		195	–4	278$\frac{1}{4}$	179$\frac{3}{4}$	2,886	4.9	29.0
Abbey National	†N□	399	+5	523	381	5,234	4.9	13.2
Allied Irish I£	ф†N□	247	–3	314	234	1,827	5.2	9.3
Anglo Irish I£	M N□	57	—	*78	50	198.2	7.5	10.4
Asahi Y		780$\frac{3}{4}$	+9$\frac{1}{4}$	919$\frac{1}{2}$	628	18,128	0.6	ф
Banco Bil Viz Pta		£15$\frac{1}{4}$	–$\frac{1}{32}$	£18$\frac{7}{16}$	£14$\frac{1}{4}$	3,509	5.5	6.7
Banco Sant Pta		£28$\frac{1}{2}$	—	*£30$\frac{1}{2}$	£23$\frac{1}{4}$	3,953	5.5	8.1
Bk Ireland I£	ф□	287	–4	*319	246	1,281	4.9	7.7
Bank Scotland	ф N□	185	–1	247	172$\frac{1}{2}$	2,158	3.4	15.1
9$\frac{1}{4}$pc Pf		114	–$\frac{1}{4}$	141$\frac{1}{2}$	114	114.0	10.1	–
9$\frac{3}{4}$pc Pf		119$\frac{1}{4}$	–$\frac{1}{4}$	148$\frac{1}{2}$	119$\frac{1}{4}$	119.2	10.2	–
Barclays	ф†N□	547	–1$\frac{1}{2}$	640	487	8,888	3.9	16.6
Dai Ichi Kan Y		£12$\frac{1}{8}$	—	£12$\frac{11}{16}$	£10$\frac{7}{8}$	38,033	0.5	–
Deutsche DM		£293$\frac{1}{4}$	+3$\frac{1}{4}$	£344$\frac{1}{4}$	£270$\frac{3}{4}$	13,984	2.3	–
Espirito Santo		£9$\frac{3}{4}$xc	–$\frac{1}{32}$	*£13$\frac{1}{2}$	£9$\frac{1}{2}$	210.9	3.9	4.8
First Nat Fin	N□	88xd	—	*90	60	111.4	2.8	–
6.3pc Cv Pf		77	—	*88	77	5.18	10.2	–
7pc Cv Pf		125$\frac{1}{2}$	—	171	123	59.6	7.0	–
Fuji Bank Y		1492	–4$\frac{1}{4}$	1549$\frac{1}{4}$	1152$\frac{1}{2}$	43,224	0.4	ф
HSBC HK	N□	772	–8	1133	680	13,510	3.8	11.2
HSBC (75p Shs)	N□	769	–5	1113	660	6,451	3.9	11.0
Lloyds	†N□	545xd	–2	660	519	7,052	5.3	10.7
Mitsubishi Y		£16$\frac{7}{8}$	+$\frac{1}{32}$	£18$\frac{3}{32}$	£15$\frac{5}{8}$	48,800	0.3	ф
Mits Tst & Bk Y		976$\frac{1}{2}$	–49$\frac{1}{2}$	1162$\frac{1}{4}$	887$\frac{1}{2}$	11,700	0.5	15.2
Mitsui Tst & Bk Y		782$\frac{1}{2}$	–24	879	514	9,375	0.7	25.9
Nat Aust A$	†	528	–13	620$\frac{1}{4}$	489$\frac{3}{4}$	7,067	5.4	11.0
NatWest	†N□	450xd	+1	522	421	7,488	5.4	8.4
Ottomane FFr		£22	–1$\frac{1}{2}$	£33	£22	110.0	6.6	ф
Ryl Bk Scotland	ф†N□	395	+5	528	377$\frac{1}{2}$	3,180	3.8	17.9

CHEMICALS

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FT-SE Actuaries Share Indices.

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

Toronto-Dom.	9½	-¼	11¼	9⅝	2,871	3.9	
Trans Can Pipe ♥	7⅞	-⅛	10⅝	7⅞	1,441	4.9	

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	low	Mkt CapEm	Yld Gr's	P/E
Anglo Am Ind		£27	.....	£27½	£13½	1,780	2.7	19.7
Barlow	Z	£4¹¹⁄₁₆	.....	£5⅝	£3⅜	933.6	0.7	–
Gold Flds Prop R		112	.....	113	76	11.5	8.4	φ
MK Props.	s	85	.....	95	85	3.42	10.5	34.9
SASOL	♥	394	.....	403	280	2,239	3.6	–
SA Brews		£12⅞	.....	£15⅞	£10	3,463	2.2	30.4
Tiger Oats	†	820	+7	838	538	832.3	2.5	13.1
Tongaat-Hulett		691	.....	*739¾	427½	517.2	2.3	19.0

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- φ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below
- ✻ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ✝ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94
N Figures based on IIMR "Headline Earnings"
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xp ex capital distribution.

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FINANCIAL TIMES
Weekend August 13/August 14 1994

MoDo
PULP, PAPER & PAPERBOARD

Technology offered in exchange for guarantees

Deal proposed to end Korean nuclear dispute

By Bernard Gray in London, Jeremy Kahn in Washington and John Burton in Seoul

The US and North Korea are considering a draft agreement that would include a transfer of western nuclear technology in return for freezing its home-grown nuclear programme, which is suspected to include weapons development.

Negotiators trying to defuse the Korean nuclear dispute were called to a meeting in Geneva to reconsider a provisional agreement after Pyongyang had raised last-minute objections.

The draft is thought to include a proposal that the US will establish relations with North Korea and supply it with nuclear technology, if the north suspends its present nuclear programme.

However, several important issues remain to be resolved and US officials were cautious yesterday in assessing the talks. The proposed deal would not remove all nuclear bomb-making capacity from North Korea. Pyongyang has not yet agreed to demands for full inspection of its nuclear facilities.

Mr Robert Gallucci, head of the US delegation, said: "We are working to capture in writing the level and areas of agreement ... recognising that there are other quite important areas in which we still do not have an agreement [with North Korea]."

The deal would involve North Korea shutting down its graphite nuclear reactors which produce high-quality plutonium that can be used in nuclear weapons. In return, the US would help supply the technology for a water-cooled reactor of the type commonly used in the west.

These produce poorer quality plutonium, which is harder to detonate and are easier to monitor by international observers. The deal would also include US recognition of North Korea, ending its diplomatic isolation.

However, it is not clear who would bear the $2bn (£1.2bn) cost of a large water-cooled reactor. North Korea also wants additional compensation for ending construction of a new large graphite reactor.

Plutonium which North Korea has already produced is not covered by the agreement. US negotiators had hoped to reach a preliminary deal on the fate of 8,000 spent nuclear fuel rods currently corroding in cooling ponds. International nuclear experts believe these rods could pose a significant environmental risk.

The US would like to send the rods to a third country, perhaps China, for reprocessing so that North Korea cannot secretly extract plutonium from them. Pyongyang has offered to encase them in concrete but resists transporting them outside the country.

North Korea is apparently prepared to bury the spent fuel rods in concrete to prevent radiation leakage, instead of reprocessing them early next month. US officials believe the rods contain enough plutonium to produce up to five nuclear bombs.

The US Central Intelligence Agency thinks North Korea may have already produced two nuclear devices by reprocessing spent fuel rods. Since these are also outside the provisional deal, the North Korean nuclear programme would thus be frozen rather than dismantled.

Mercury Asset Mgt punishes its parent over Lasmo

By Robert Peston

Mercury Asset Management has taken the unprecedented step of punishing its parent company, S.G. Warburg, for the way Warburg managed Enterprise Oil's failed bid for Lasmo.

For the past month, MAM has cut the business in UK share trading that it gives Warburg to the minimum required by law. The fund management group, 75 per cent owned by Warburg, took the decision because of its fury that the securities firm did not buy any of MAM's Lasmo shares when it bought 10 per cent of the oil group on behalf of Enterprise seven weeks ago.

Warburg's unusual decision to buy the 10 per cent from only five investment institutions, rather than picking up stock more widely in the market, outraged MAM and other Lasmo shareholders. Anger over the way Warburg handled the purchase contributed to the subsequent failure of Enterprise's £1.6bn takeover bid for Lasmo.

MAM, among the biggest fund managers in the UK with more than £60bn under its control, could not impose an absolute embargo on dealing with Warburg because it has a legal duty to its clients to trade with any City firm offering the best prices. However, it has been giving Warburg a fraction of its normal level of business in UK shares. MAM has continued to deal with its parent in the securities of overseas companies.

Warburg said yesterday that its trading with MAM has this week returned to normal levels.

Disclosure of MAM's actions is the latest in a stream of embarrassments for Warburg stemming from its decision to buy the 10 per cent of Lasmo at above the market price from the five institutions - PDFM, Capital Group, Legal & General, Sun Life and British Gas. The purchase of 8 per cent from PDFM alone was particularly galling to other Lasmo shareholders.

Warburg last week agreed to pay £250,000 to Rwanda charities to settle a dispute with Swiss Banking Corporation, which had complained to the London Stock Exchange that Warburg should have purchased its Lasmo shares, since it had left a "limit order" with Warburg.

A special sub-committee of the exchange's domestic equity rules committee had earlier ruled in SBC's favour, but Warburg refused to pay the £750,000 claimed by SBC. It made an offer to SBC of £250,000.

SBC turned this down, but said it would settle if Warburg paid £750,000 to charity. Mr John Kemp-Welch, exchange chairman, put pressure on both firms to settle, to avoid an appeal to the professional standards committee. SBC finally said it would drop the matter if Warburg paid £250,000 to charity.

THE LEX COLUMN

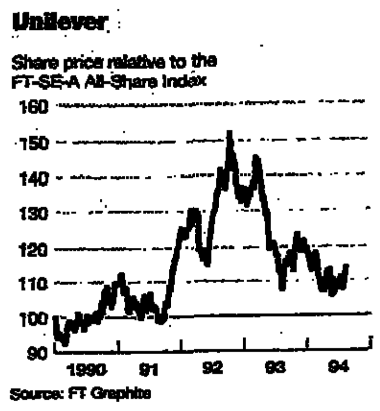
Summer storms

The theory that the worst of the jitters about rising interest rates could be over suddenly looks less plausible. Bond markets across Europe took a tumble on Thursday, dragging equities in their wake, following rises in Italian and Swedish rates. Wall Street is still restive at the thought that US rates may soon go up again. The FT-SE 100 index lost only 25 points on the week after staging a strong comeback yesterday afternoon. With both the Bundesbank council and US Federal Reserve open market committee meeting next week, though, the outlook remains unsettled.

The relatively modest decline in London equities is some comfort. Every day brings brighter news on corporate earnings. This week centre stage belonged to the banks and insurance companies, which took it in turns to shatter brokers' profits forecasts. Industrial companies such as GKN – and yesterday the consumer giant Unilever – are also starting to enjoy the upturn. The prospects for utilities are equally good following painless price reviews by the water and electricity industry regulators. Dividend growth forecasts of around 8 per cent for the market as a whole this year are a powerful support.

Yet it is difficult to believe that equities will thrive while bonds remain on edge. The weakness of the pound against the D-Mark – down to DM2.40 yesterday – reflects the strength of the German currency rather than any loss of confidence in sterling. But while the market is transfixed by the next move in rates, such weakness is not soothing.

FT-SE Index: 3142.3 (+4.1)



Source: FT Graphite

Unilever

It is becoming traditional for Unilever's shares to move 5 per cent on the announcement of its quarterly figures. In May they fell 57p, yesterday they rose 55p. The jump this time was partly due to relief that there was no obvious damage from the European soap wars. On the contrary, Unilever's decision to turn off the promotional spending in markets where the introduction of Omo Power went badly probably meant that short-term profits actually benefited from the fuss. Since concentrated fabric powders represent less than 2 per cent of Unilever's turnover, it is not material anyway.

More important are signs that volume growth across the group has turned up. After seeing growth fall from 2½ per cent in the first half of last year to 1¼ per cent in the second it is now creeping back up to 2 per cent. The South American and Asian businesses stepped up another gear and in North America growth is close to the group target of 4 per cent. But the consumer businesses on both sides of the Atlantic have yet to respond and while the detergent price war in the US has eased, Unilever's main markets are likely to remain competitive even when economic recovery works through.

While the benefits of the cost-reduction programme announced in February should kick in strongly next year, earnings growth is unlikely to match companies more geared to European economic recovery. Despite the solid long-term prospects, the share's modest rating is only to be expected at this stage in the cycle.

UK brewing

Pubs without televisions were a bit quiet in July as drinkers stayed in to watch the World Cup. But most of Britain's brewers are now feeling better about life. Summer trading generally seems to have been reasonable, helped by the steamy weather. There are also signs that the wholesale price war is abating, at least when it comes to supplying smaller pub operators. However, the big independent pub chains, such as Greenalls and Boddingtons, are thought still to be getting very attractive terms and given the overcapacity in the industry it is likely that the national brewers will remain under pressure.

Against that background it is somewhat surprising that regional brewers and pub operators have tended to underperform their national counterparts over the last couple of months. In part that may merely reflect the fact that large stocks have led the stock market rally. The shares of several of the second division companies may also have suffered from the sale of Whitbread's stakes in March.

Either way the smaller fry look relatively cheap. Yet the pub operators appear well-placed as consumer spending recovers while brewers like Marston are showing there is good growth to be had for those with strong brands. Share prices also make little allowance for industry restructuring. Other regionals must be considering pulling out of brewing while Greenalls' ambitions have not been satisfied by last year's acquisition of Devenish.

C&G

Cheltenham & Gloucester might fairly claim to be the victim of poor quality legislation. But the performance to which it has gone in restructuring the offer from Lloyds Bank raises some concerns about valuation and fairness. Although consummation of the deal has been pushed back by three months, the price has been left at £1.8bn. Lloyds will thus enjoy a better deal in two ways. The time value of money will make the price less onerous and C&G's net assets will be boosted by a further three months of retained earnings. So Lloyds will squander less on goodwill.

The amount involved may not be enormous but the fact that it has been wholly ignored in the revision suggests a degree of imprecision in the original valuation. The trouble is that C&G members have little to go on when they vote. Moreover they must do so now in the clear knowledge that the distribution of rewards is random and arbitrary. Under a scheme designed to meet the requirements of the law, some members will be denied any share of the proceeds. Some non-member depositors will receive a bonus.

In a rational world it ought to be possible for a bank to buy a building society. There is no reason why the latter should be ring-fenced by protective legislation. One solution which would have made valuation easier and ensured a fairer distribution of benefits would have been for C&G to begin the process by de-mutualisation and public flotation. Once again, the law prevents this by insisting on a five-year period before newly-floated societies can be taken over. It really is an ass.

Canadian insurer

Continued from Page 1

ance of Winnipeg, which would have included a C$225m capital injection. The search for a rescuer was widened to a group of 10 Canadian and US insurers last month when it became apparent that the company required as much as C$600m to survive. The group was unable to agree, however, on how to divide Confed's assets and liabilities.

Confed suffered heavy capital losses as a result of commercial property lending during the 1980s. It wrote off C$232m in loan losses in 1992 and 1993, but still has more than C$800m of non-performing loans on its books. It had C$33bn under management at the end of 1993.

Russian loan

Continued from Page 1

and the problem has worsened since the government tightened credit after its spring agreement with the IMF. In some cases, companies have been unable to pay their workers, raising the prospect of social unrest.

One western financial official said of the debt: "It clearly cannot be allowed to go on because otherwise it could lead to a total collapse of the Russian economy."

Mr Yeltsin's decree is a sign that the government may be departing from the market reform path it appeared to choose earlier this year.

Electronic war of words heads from computer to court

By Motoko Rich

A virtual war of words in cyberspace is heading for a very real confrontation in a UK courtroom.

A London physics lecturer is suing a former colleague for libel on the Internet, a self-regulating global computer network where millions of users exchange academic ideas, political opinions, and increasingly, insults.

No date has been set for the case but if the suit goes to trial in the High Court in London it could expand the definitions of UK libel law and expose the legal potholes in the information superhighway. Other cases have already challenged libel laws in the US and Australia.

Usenet, the part of the Internet where the alleged libellous comments appeared, is sometimes known as the world's largest electronic conference. It consists of a series of "news groups" in which an estimated 16m users can post messages and debate special interests.

Within this conference setting, a culture of "flaming" – the reckless exchange of insults – has arisen. Because messages are sent to news groups, which are accessible to almost all users, rather than individuals, rows between users are aired in public.

Mr Nick Braithwaite, a media lawyer with London solicitors Clifford Chance, said that many users forget their private vendettas on the Usenet are out in the open.

"They think they are having a private conversation but it is like they are using a megaphone," he said.

In the UK case, Dr Laurence Godfrey, a former nuclear physicist at the German Electron Syncroton Laboratory in Hamburg, has issued a writ against Dr Phillip Hallam-Baker, a researcher at Cern, the European nuclear physics laboratory in Geneva, claiming damages for libel or slander.

Dr Godfrey is suing for alleged comments about his professional work which he claims were made by Dr Hallam-Baker on seven separate occasions between April and July of last year on the Usenet. Dr Hallam-Baker has said the case will be defended.

Dr Godfrey said he distinguished between insults and libel.

"The everyday insults are not libel and I do not take exception with them," he said. "It is the allegations of an untrue nature that I am suing about."

In a separate case, however, Dr Godfrey himself is being sued by Carleton University and Brock University of Ontario, Canada, for Internet comments which may be in breach of confidence.

FT WEATHER GUIDE

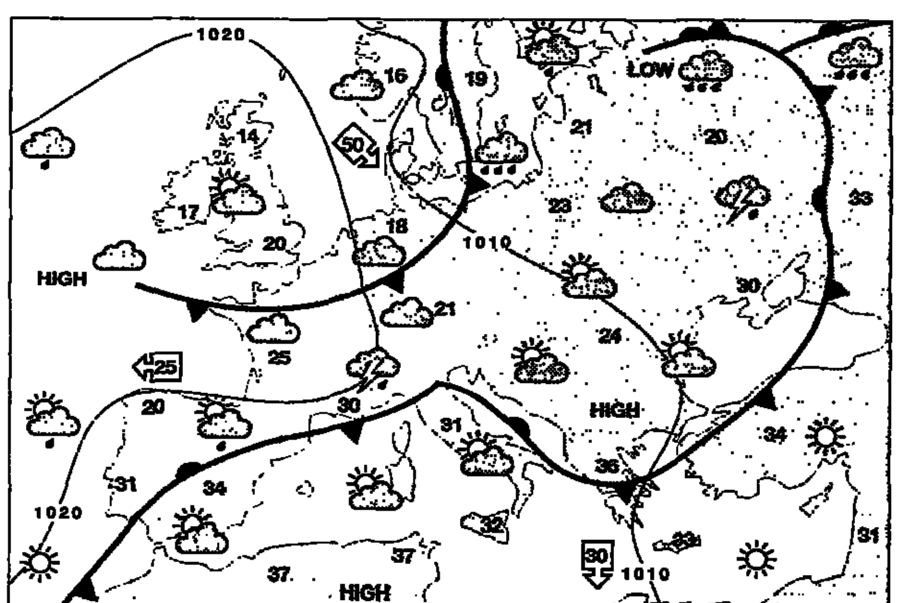
Europe today

Most of the continent will have unsettled conditions. A strong to near gale north-westerly wind will buffet the coasts of the Low Countries and Denmark. Western Scandinavia will have rain. Poland, the Benelux and Germany will have showers, sometimes with thunder. Russia will have some sunshine and widespread showers. There will be plenty of sunshine in southern France, although isolated thunder storms could develop. Spain, Italy and the Balkans will be sunny. The UK will have pleasant conditions with some cloud and gentle to moderate winds.

Five-day forecast

In the UK, high pressure will develop over the weekend bringing fair conditions. The high pressure system will move to southern Scandinavia at the beginning of next week. Conditions will improve in the Benelux and Germany. Windy and cool conditions will spread to Finland and north-western Russia and showers are expected.

Unsettled conditions will return to the UK next week as disturbances approach from the Atlantic. France and northern Spain will have thunder showers after a sunny weekend.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	rain	30	Caracas	thund	27	Faro	sun	28	Madrid	sun	33	Rangoon	drzzl	32
	Celsius		Belfast	fair	16	Cardiff	fair	18	Frankfurt	shower	23	Majorca	sun	34	Reykjavik	fair	12
Abu Dhabi	sun	41	Belgrade	sun	30	Casablanca	sun	27	Geneva	fair	23	Malta	sun	34	Rio	fair	26
Accra	thund	29	Berlin	shower	20	Chicago	thund	30	Gibraltar	sun	31	Manchester	fair	17	Rome	sun	31
Algiers	fair	37	Bermuda	shower	32	Cologne	shower	20	Glasgow	cloudy	17	Manila	cloudy	33	S. Frsco	sun	26
Amsterdam	shower	19	Bogota	cloudy	19	Dakar	fair	28	Hamburg	shower	18	Melbourne	shower	12	Seoul	rain	31
Athens	sun	35	Bombay	drzzl	31	Dallas	sun	39	Helsinki	fair	21	Mexico City	thund	20	Singapore	fair	31
Atlanta	sun	32	Brussels	fair	20	Delhi	rain	30	Hong Kong	thund	31	Miami	thund	32	Stockholm	fair	25
B. Aires	fair	23	Budapest	fair	27	Dubai	sun	42	Honolulu	fair	33	Milan	sun	29	Strasbourg	shower	22
B.ham	cloudy	19	C.hagen	windy	19	Dublin	fair	17	Istanbul	sun	32	Montreal	rain	25	Sydney	cloudy	20
Bangkok	fair	34	Cairo	sun	40	Dubrovnik	sun	31	Jakarta	fair	33	Moscow	rain	21	Tangier	sun	28
Barcelona	sun	29	Cape Town	fair	14	Edinburgh	fair	18	Jersey	fair	18	Munich	shower	21	Tel Aviv	sun	34
									Karachi	cloudy	32	Nairobi	fair	22	Tokyo	shower	31
									Kuwait	sun	45	Naples	sun	31	Toronto	rain	23
									L. Angeles	sun	30	Nassau	thund	32	Vancouver	fair	23
									Las Palmas	sun	27	New York	shower	31	Venice	sun	30
									Lima	cloudy	18	Nice	sun	28	Vienna	fair	26
									Lisbon	sun	25	Nicosia	sun	35	Warsaw	shower	22
									London	fair	21	Oslo	rain	17	Washington	sun	34
									Lux.bourg	shower	20	Paris	shower	24	Wellington	fair	14
									Lyon	fair	25	Perth	fair	16	Winnipeg	fair	19
									Madeira	fair	25	Prague	fair	22	Zurich	fair	21

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*Nikkei 225 Stock Average Index 20,652.73 at 03/08/94. All time high 38,915.87 at 29/12/89. **Micropal offer to bid with net income reinvested to 01/08/94. Tokyo Fund from 02/03/81, 1/11 and from 01/08/89, 10/60. Japanese Smaller Companies Fund from 01/02/84, 1/66, 1/54 and 1/33 respectively.

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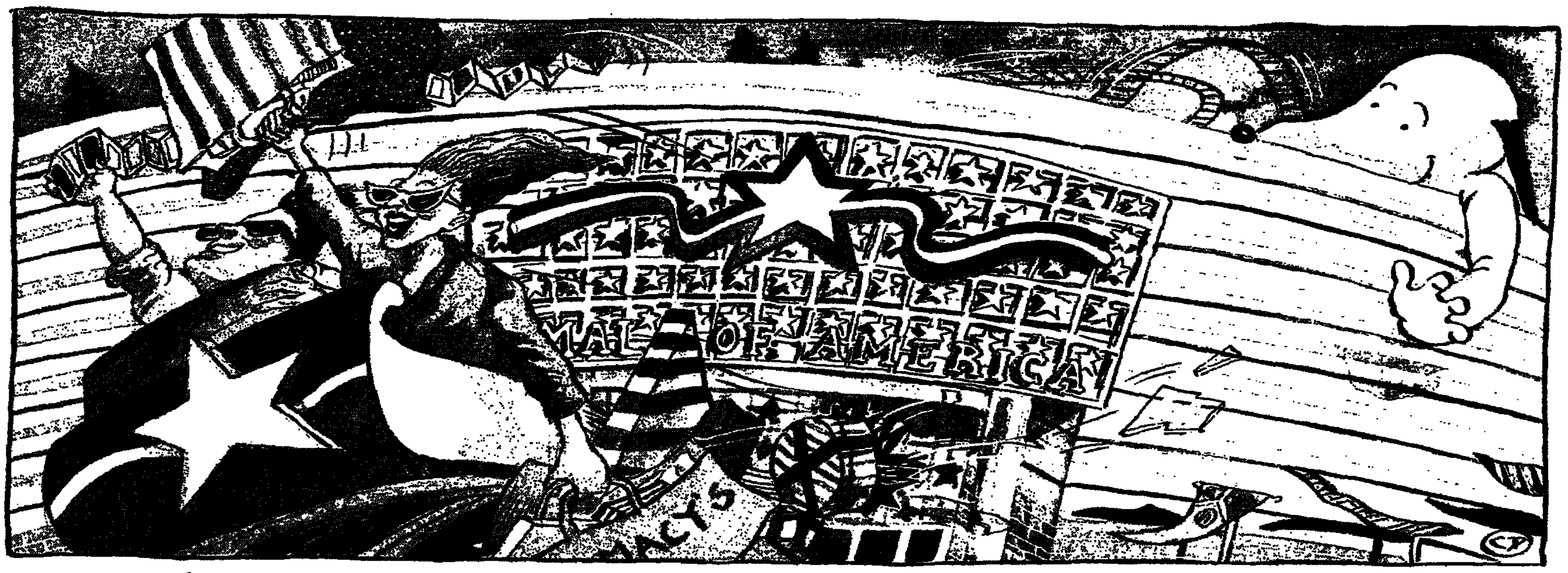
Weekend FT

SECTION II

Weekend August 13/August 14 1994



Shop until you drop – US-style

Martin Dickson, complete with his 'I mega-shopped the mega-mall' T-shirt, examines the phenomenon of a mid-west shopping complex which has become a tourist attraction in its own right

The Pepsi Ripsaw roller-coaster might not be among the world's most terrifying amusement park attractions. But it makes up for its relative lack of stomach-churning thrills with its bizarre location: in a fun-fair at the heart of the largest shopping mall in the United States.

If your feet are killing you, refresh your spirits with a ride on the Ripsaw, careering for 2½ minutes above indoor trees, roof tops and restaurants and through a miniature, artificial mountain. If the children are playing up, and refusing to accompany you inside yet more clothing shops, distract them with a ride on another of the fair's attractions, the Log Chute. This will carry them in a hollowed-out tree trunk through a mountain filled with animated figures – and drop them down a 40ft waterfall.

The Mall of America, which lies on the outskirts of Minneapolis, Minnesota, and opened its doors two years ago this month, is a vast temple to consumerism – the ultimate statement of faith that the chief national pastime of the US is not baseball or fishing but shopping. (Actually, the main pastime could soon be gambling, for casinos are springing up like weeds across the land.)

The 23-ride amusement park sits in the middle of a round, four-storey doughnut containing more than 400 shops, four large department stores, a 14-screen cinema and an 18-hole miniature golf course ("experience the challenge of its two waterfalls and seven streams"). There are bars and nightclubs where you can play pool, watch a televised football game, listen to a comedy routine or learn to dance, country-style.

You can even get married. The Chapel of Love, located (fittingly) just across a walkway from an outlet promoting local casinos, can provide you with "a decorated, 75-seat chapel, taped music selections, and the services of an officiate, all offered in 1½-hour packages starting at under $500".

You can have a country-and-western themed wedding, rock 'n' roll nuptials, or a Vegas-style affair. "We can even get you Elvis," says MaryAnne London Gears, the chapel's manager. In the Mall of America's alternative reality, the impossible becomes possible.

This, after all, is a world where the temperature is always a perfect 70°F (21°C); where you can sit in the street "outside" a perfectly reconstructed Italian country restaurant, yet still be indoors under the mall's vast glass canopy; and where you can indulge your fantasies of becoming a top model with a visit to Glamor Shots where staff will make up your face, banishing unsightly spots and pimples, dress you in fashionable clothes and capture the "glamorous new you" on film.

That is part of the hype, hoopla and kitsch. But in the real world of hard-nosed financial investment, the mall represents two big gambles: that a complex of such size can attract enough customers to make a decent return; and that, by mixing entertainment with its wares, it can compete successfully with rival forms of leisure and electronic shopping.

John Wheeler, the Minnesota mall's general manager, says: "We've recognised that people today want a good reason to leave their homes. We want to offer them a whole variety of reasons to come here, which includes not only the mall's goods and services but the experience of the whole.

"The whole concept of experience is very, very important to us."

If this "experience" succeeds – and the jury is still out – it will set an example for mixed retailing and entertainment which the rest of the world could follow. But the company which manages the Minnesota mall is encouraged enough by early trading to be putting entertainment centres into several other malls being built, while some smaller US malls have begun offering rides on ferris wheels, dodgems and carousels.

Minneapolis, a stolid city in the mid-western farm belt – an area from which author Garrison Keillor drew the inspiration for his laconic tales of the fictional Lake Wobegon – might seem an unlikely setting for this bread-and-circuses approach to selling. But it has played an important role in the 40-year history of the US mall, and for good reason: Minnesota's harsh winters and broiling, insect-infested summers make shopping in an enclosed, temperature-controlled building an extremely attractive proposition.

America's first mall, the Southdale Centre, opened in 1956 only a few miles from what is now the Mall of America, and clones multiplied rapidly across the land in the 1960s, 1970s and early 1980s. By the end of the last decade, though, the regional mall movement looked in danger of exhaustion. Americans were devoting less leisure time to shopping and, when they did venture out, they tended to patronise strip shopping centres near their homes or the growing new "factory outlets" – stores offering slightly imperfect or end-of-line goods from well-known brand manufacturers at knock-down prices.

At the same time, mall owners became aware of another potent threat: electronic shopping. The converging film, computer and telecommunications industries will eventually create mass-market, inter-active television that allows consumers to order an immense array of goods from home at the touch of a remote control button.

This is unlikely to mean the end of shopping as we have known it; humans are social beings and, from time immemorial, have found pleasurable distraction in visiting bazaars. But all these forces are putting pressure on shops to make parting with money an entertaining experience.

So, too, does the fact that people enjoying themselves in an entirely artificial world are more likely to cast their credit cards around with wild, impulsive abandon than those trudging from store front to store front in the rain. The Mall of America's official slogan ("There's a place for fun in your life") acknowledges these motives implicitly. Fun is, by definition, frivolous and guilt-free – and shopping should be the same.

Yet, the first big test of shopping-as-entertainment actually took place in Canada, where, in 1985, a family of real estate developers, the Ghermezian brothers, built a mall near the city of Edmonton, Alberta, which incorporated an amusement park, hockey rink and artificial lake. It succeeded, generating substantially higher revenue per square foot than a conventional mall. The Ghermezians then joined up with one of America's largest mall developers, Indianapolis-based Melvin Simon & Associates, to build the Minneapolis pleasure dome, with a US teachers' pension fund putting up the bulk of the equity.

In the event, the most grandiose plans for the Mall of America – such as an aquarium and a monorail – were deferred because of the nation's 1990-1991 recession, and it ended up somewhat smaller than its Canadian cousin. Even so, when the mall opened in August 1992, many retailing analysts pronounced it a dangerous gamble out of step with Americans' desire to spend less time shopping. "It's risky, very risky," declared one New York consultant. "Few people really see shopping as recreation any more. People are time-strapped." Two years on, the arguments continue.

Last year, though, 37m people visited the Mall of America – 7m more than Walt Disney World in Florida (although the figures are not directly comparable since the Minneapolis total would have been boosted by repeat visits from local residents). They spent $625m.

Wheeler maintains these figures are in line with, or exceed, the project's financial and traffic projections. But critics point out that the mall is not yet fully occupied – at least 10 per cent of its space is

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Long View/**John Plender**

Fiendish booby traps

If the financial markets are a minefield, derivative instruments such as swaps, futures and options appear to be the most fiendish of new-fangled booby traps. Consider the growing number of casualties inflicted in recent months by these most volatile of financial tools.

First we have the collapse in March of Askin Capital Management, a Wall Street hedge fund operator whose boss David J. Askin contrived to lose hundreds of millions in a matter of weeks, using supposedly "risk neutral" derivative trading techniques. One thing that is not in dispute is that Askin himself was baffled by the sheer complexity of his own trading strategies. His end was swift.

Then we saw Procter & Gamble, veteran of soap and detergent wars, admitting that its high-powered treasury department had stumbled in its derivative dealings with Bankers Trust. Brokerage house PaineWebber quickly followed with news of loss-making derivative trades in one of its mutual funds, which was supposed to invest in boring, rock solid US government securities. It felt obliged to reimburse investors out of its own resources.

Nor is the list, which can be extended almost at will, exclusively American. Europe's biggest banks have been badly hit by the collapse of their derivative trading profits in the first half of this year. This week brought news, too, of gilt-edged losses and a spot of derivative difficulty at Union Discount in the City. The discount house's troubles were hardly significant, when compared with Allied Lyons' £150m currency option losses of not so long ago, but in some ways they were more evocative.

For almost as long as most of us can remember discount houses have sporadically declared huge losses in their core business of bill broking and gilt-edged dealing. The normal pattern has been for them to raise money from shareholders to plug the resulting hole in their capital and to invest in diversification away from their core operations. All too often the diversification turns out to be more risky than expected. Union, for example, which declared an interim loss this week of nearly £800,000, lost several million in 1991 as a result of its move into an equipment leasing business.

The traditional response is for the houses to raise yet more money from shareholders, while declaring a new-found aversion to risk. Alternatively they conclude that the game is not worth a candle and merge or sell out, which is why only a quartet of the old names from the London discount market survive as independent quoted concerns: Cater Allen, Gerrard & National, King & Shaxson and Union.

The experience of the discount houses is worth recalling because it helps identify what is different in the novel world of derivatives trading. And the difference is not as much as instinct might suggest. For while the techniques are new – though not all that new by now – the source of this year's problems is old hat. The really big trouble, of which there has not, in reality, been that much to date, comes from taking large positions as principal on the basis of inadequate capital.

Market making and position taking, which is how more and more banks in the US and Europe expect to make their profits, are exceptionally risky activities. As the discount houses found out time and again, it is possible to generate respectable returns in this business for a while, only to be overtaken by overwhelming losses when hit by shocks like the 1987 stock market crash.

The novelty in today's markets lies in the complexity, the lack of liquidity and, especially important, the lack of transparency. Balance sheets in the financial sector have always been mildly distorted by hidden reserves and window dressing. But now they are next to worthless as a guide to the creditworthiness of institutions that deal heavily in derivatives because the degree of risk in the balance sheet can fluctuate wildly minute by minute. Published data are thus inadequate and out of date. It is impossible to tell whether people are engaging in low-risk arbitrage or high-risk position taking.

The result is that we are back to a world that has surprising similarities with the 19th century. Then, partnership was still the City norm, published balance sheets were a rarity and traders judged creditworthiness on a combination of reputation, rumour and past record. People acted as both principal and agent without a welter of regulations to govern conflicts of interest. What are the rules for survival in such a world?

In the late 20th century we do, admittedly, have credit rating agencies, on whose judgments the derivatives trading edifice is uncomfortably dependent. Yet rating agencies are not infallible. So rule one is not to rely on rating alone.

Rule two is to recognise that this market is best left to professionals, as is investment in the shares of market makers. For them, caveat emptor applies with deadly seriousness in view of the conflict of interest in which many players are involved. The final rule is to pay even more attention than usual, in judging creditworthiness, to capital and good parentage.

Without parents with deep pockets several Wall Street investment banks would have disappeared over the past decade, including First Boston, Lehman Brothers and, in the light of its recent derivatives upset, Kidder Peabody. Drexel Burnham did disappear, precisely for want of such support. And without a godparent at the Bank of England, many of London's discount houses would certainly have failed.

Yet private investors can still become unwittingly embroiled in derivative problems – witness the way in which US mutual funds sought to increase their returns through derivative trading without disclosing this to clients. Once again the rule is: be boring. A fund manager will not make good the loss in a mutual fund or unit trust unless it has a reputation to protect and the resources to do it. There are times, in financial markets, when it pays to play safe.

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MARKETS

London

Still skittish after all these profit rises

Andrew Bolger

The Swedish bond market seldom excites London equity traders, who reached their desks on Thursday only after braving flooded streets and tube stations. But when a ½ percentage point increase in Swedish interest rates was followed by a similar rise in Italy, many succumbed to a bad case of cold feet, and the FTSE-100 shed 28.8 points.

There were clear domestic reasons for both moves – concern over the Swedish inflationary outlook and deficit, plus Italy's determination to defend the lira at a time of continuing political uncertainty. However, London's immediate reaction betrayed underlying concern that the European interest rate cycle is on the turn.

Traders started in equally nervous mood yesterday morning, and at one point the FTSE-100 was down 27 points, but the bond market rallied on reassuring US consumer price data and the FTSE-100 ended the day 4.1 points higher.

Analysts of the UK market tend to polarise into two camps: optimists who continue to focus on the robust recovery in corporate profits, and pessimists who fear equity values are looking overstretched – particularly relative to returns available in the gilts market.

UBS points out that the real yield gap between equities and index-linked gilts has declined from 60 basis points last November to minus 13, and the last time it turned negative was in early 1987, preceding the stockmarket crash.

Gilts reflect market scepticism over how long inflation will continue at its present low level. NatWest Securities accepts the Bank of England will raise UK interest rates this year in a pre-emptive strike against inflation, but says investors must be aware that the battle the Bank is facing is not against a return to the bad old days of UK inflation.

It says: "Instead the Bank thinks that 3 per cent is achievable on the current interest rate structure, but its aim is to get back to the lower half of the target range of 1-4 per cent by the end of this parliament. If it comes anywhere close to achieving this then it will be a very favourable outlook for the gilt and UK equity markets."

The bounce in corporate profitability is now well established. However, Barclays, the UK biggest bank, still managed to surprise with a trebling in pre-tax profits to more than £1bn in the first half of the year – mainly due to a £680m drop in bad debt provisions. Not all the news was good: operating profits fell slightly, partly because of low demand for loans from recession-chastened consumers and businesses who are in no rush to take on new debts.

The biggest fillip to equities came from the regulatory review of the English and Welsh regional electricity companies, which was so favourable to the 12 RECs that one analyst described it as "a sheep in wolf's clothing". Although the new price formula means average family bills should fall by a total of £70-£90 over the next five years, the City quickly concluded that the RECs would be able to deliver real dividend growth of at least 5 per cent over the same period.

The reporting season by the composite insurers got off to a strong start, with General Accident, Commercial Union and Royal Insurance all coming in ahead of expectations. Their domestic market recovered strongly, thanks to higher premiums, efficiency improvements and more careful underwriting.

Good news was not confined to the financial and utilities sectors: profits at GKN, the automotive components and defence engineering group, rose by 62 per cent, even although sales were up only 9 per cent. Much of the improvement came from a continuing programme of cost-cutting and an upturn in several businesses – particularly automotive components, which benefited from recovery in the continental European car market.

Unilever, the Anglo-Dutch consumer goods group, also came in with better than expected results. Its worldwide speciality chemicals business benefited from recovery, but results in its consumer businesses in Europe and America did not yet fully reflect these improving conditions.

You cannot get closer to the consumer than an undertaker, and this tiny sub-sector this week saw the climax of a dramatic takeover. Service Corporation International, North America's largest funeral group, was assured of winning Great Southern Group, the UK funeral company, when the Takeover Panel refused an attempt to block SCI's revised offer of £113m.

Loewen, the Canadian funeral group, had tried to prevent SCI from raising its bid because the Texas-based group made a "final" offer which omitted a standard clause allowing the offer to be increased in the event of competition. The Panel decided this omission by SCI's advisers, led by the merchant bankers Schroders, was attributable to "a genuine mistake, however regrettable".

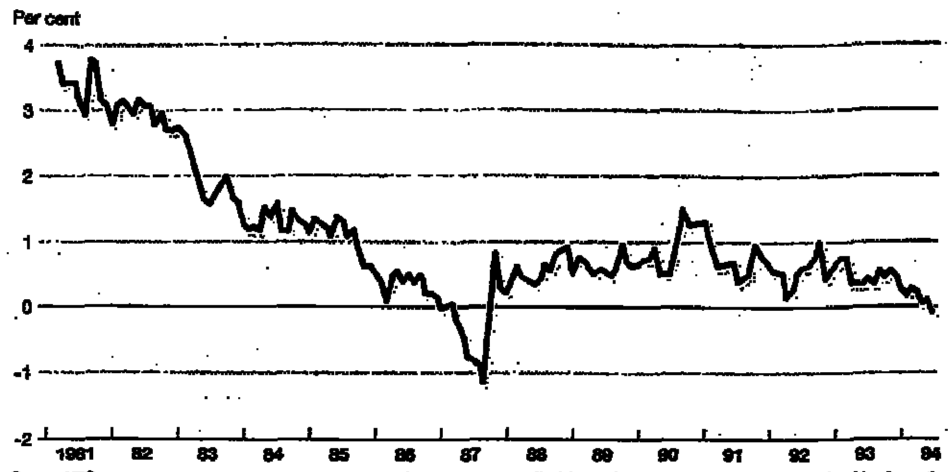
SCI has agreed to pay £4m compensation to investors who sold shares in Great Southern before the misleading announcement was clarified. It is not clear who will finally pick up the bill, but it seems unlikely that Schroders will pocket much of a fee.

Meanwhile, excitement in the British burial business may not be over. The day after SCI won the Panel's backing, it bought a 3 per cent stake in Plantsbrook, the only other UK-quoted funeral company, and said it was interested in buying further shares.

Plantsbrook is 46 per cent owned by Pompes Funebres, France's largest funeral business, and SCI may want to secure a ring-side seat if the parent considers asset sales. SCI is also concerned that Loewen Group, its largest north American competitor, might consider turning its attentions to Plantsbrook.

Watch this space...

The real yield gap*



Source: UBS *Real yield gap = equity risk premium minus expected long-run real dividend growth

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1994 High	1994 Low	
FT-SE 100 Index	3142.3	-25.2	3520.3	2876.6	Rate rises in Europe
Boots	532	-10	601	504	Hoare Govett sell
Cookson Group	263	+15	285	227	Hoare recommendation
Eastern Elect.	763	+71	763	566	Offer review/buyer of 3% stake
General Accident	561	-40	757	533	Interim results disappoint
Glaxo	623	+23	725	520	Hedge funds cover short positions
Johnson Grp. Cleaners	284	-34	414	284	Results disappoint
NatWest Bank	450	-20¾	622	421	Switching to Barclays
Royal Insurnace	279	+17	350	232½	Excellent interim figures
Shell Trans.	720	-19	755	651	Interim figs. disappoint
Southern Elect	740	+69	745½	540	Offer review pleases market
Sth. Wales Elect.	746	+45	825	591	Offer review pleases market
Standard Chart	247	-38	359¼	223	Worries about HK margins
Utd. Newspapers	505	-24	731	479	Price war concerns
Whitbread	552	+25	617	494	Switching from Bass

Serious Money

How do we profit from profiteers?

Gillian O'Connor, personal finance editor

Should consumers fight back against profiteering by buying shares in the profiteers? Last month, water shares rose because the price review was less tough than feared. This week, electricity shares soared for the same reason (see page III for details). And Royal Insurance got a warm welcome when it announced profits which included an underwriting profit of more than 17 per cent on its UK consumer business.

There are, however, important differences between the water and electricity businesses and general insurance. One reason why the utility companies are such a joy to the investor is that the regulators control their prices not their profits. So provided the companies can squeeze their own costs, there is theoretically no limit to the amount by which profits can rise. Add to that their effective local monopolies, and the inflation-proofing implicit in the price control mechanism, and you have a real licence to print money.

The insurance business nowadays is very different indeed. It may be sporadically profitable in certain areas, but overall it no longer makes money on its basic underwriting business. Insurance shares may look attractive right now – but they have been a lousy long-term investment.

Yet, until the middle of this century, general insurance companies did make good profits from underwriting. Up to the 1950s they normally made around 5 per cent.

This margin slipped back to around 2 per cent in the 1960s, and in the 1970s underwriting moved into the red, where it has broadly stayed ever since.

Some 20 years ago, a former chairman of Royal, Sir Paul Chambers, famously predicted a return to underwriting profits of 5 per cent. His mistake was to assume that history would repeat itself. The trend towards investing in equities encouraged insurance companies to rely on stock market gains for part of their profits. Competition drove insurance premium rates down. And the hitherto cosy world of the big insurance companies was irrevocably gone.

There are some useful investment points to note here.

First, and fairly obvious, always look at the whole of a company's business, not just the bit that affects you.

Second, look not just for good profits but for sustainable profits – at least if you are a long term investor, rather than a speculator. Finally, always bear in mind that long term changes in business and investment do happen.

Consols had their day, and so did general insurance companies. Utilities are still enjoying theirs. But keep one eye on the horizon.

□ □ □

Back to that 17 per cent profit Royal made on its consumer business. The actual figures were 18 per cent on household (buildings and contents) business and 15 per cent on motor. Motor insurance premiums are already on the way down (see Weekend FT July 30, page V.) and household rates are coming back a bit. But the insurers do not expect them to fall as much as motor rates.

The people who are forcing rates down are the direct insurers who cut out the middleman and sell by telephone. They can offer better deals, because their cost are less, and competitors have to follow. But it is harder for the direct insurers to nose into the household market than into motor.

Why? One reason is that something like 40 per cent of all household insurance comes via building societies. The societies get commission of up to 30 per cent of the premiums, which does wonders for their overall financial wellbeing.

Broadly, for every £100 you pay in household insurance premiums some 30 – 35 per cent goes in commission and other costs, 15 to 20 per cent in profits, and at most half is actually spent on paying claims.

The building societies defense of their rather comfortable commission has always been a double one. First, they do a lot of the admin for the insurance companies. Secondly, the profit they make from their insurance commissions subsidises their mortgage business. Maybe. But perhaps consumers would like to make their own choices.

The brave new world of compulsory disclosure is looming over the life insurance companies. How about some voluntary disclosure of who gets what from your household insurance premiums?

□ □ □

Kids' lib apart, the new Cheltenham & Gloucester sweeteners are rather damp squibs. Very broadly, more depositors will benefit, mainly because the qualifying date is later. (See page V.) Borrowers miss out, but get a warm nod and wink from C&G boss Andrew Longhurst.

How much is that worth? When the Lloyd's offer was originally announced C&G hinted that it was confident its sweetener proposal would work and would fight for it in the Courts if necessary. But when the High Court turned it down, C&G appeared reluctantly to concede that there was no point in fighting.

□ □ □

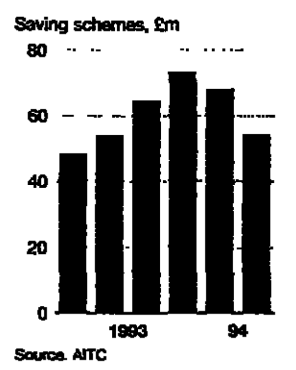
The Department of Trade recently closed some illegal pyramid selling schemes. Some of the victims are forming an action group to fight the DTI's intrusion, which they consider an infringement of civil liberties.

AT A GLANCE

Finance and the Family Index

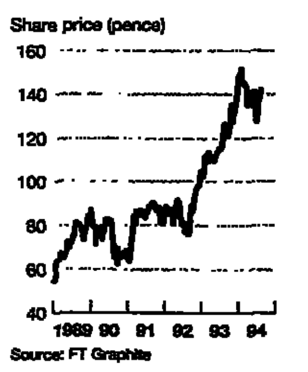
The electricity review: what it means for the companies III
Confederation Life/Week Ahead/Directors' dealings IV
C&G's new offer/The endowment trap V
Gilt deals in danger/The Professionals: James Capel VIII
Q&A briefcase VII

Investment Trusts



Source. AITC

Foreign & Colonial



Source: FT Graphite

Investment trust schemes attract more business

Investment trust savings schemes continue to be popular with private investors who poured £122.1m into them in the first half of the year, an increase of 20 per cent on the same period last year.

The Association of Investment Trust Companies, which published the figures, said that the number of regular savers (as opposed to lump sum investors who can also invest via the savings scheme) has increased every quarter since the end of 1992, to 79,000 from just under 56,000. The average amount invested by regular savers is £80 a month.

Fall in F&C net assets

Foreign & Colonial Investment Trust reported interim results this week, showing a fall in net assets from 148p to 134.2p per share during the six months to June 30. The share price fell 10.9 per cent in the first half, which was not as much as the 13 per cent drop in the FT-SE-A All-Share Index.

F&C blamed fears of a higher inflation-rate and rising interest rates, particularly in the US, for the falls. It warned that stock markets may have difficulty in making progress, partly because of the rapid expansion of the US economy.

Barclays trebles interim profits

Barclays trebled its interim profits to £1.04bn before tax for the six months to end June, thanks partly to a £680m cut in bad debt provisions. The interim dividend was increased by 23 per cent to 8p a share. Chief executive Martin Taylor commented that Barclays had made "lousy returns" in the past few years.

C&G's new share-out scheme

Cheltenham & Gloucester Building Society has put forward a new scheme for sharing out the £1.8bn cash bid from Lloyds Bank. This would increase payments to members to up to £13,500 for each qualifying account. The meeting at which members will vote is now planned for March 1995. (Details page V).

Cheer for smaller companies

The Hoare Govett Smaller Companies Index (Capital Gains version) rose one per cent over the week to Thursday 11 August. This move leaves it very close to its level at the beginning of the year, whereas the FT-SE-A All Share index is still over 6 per cent down, and the FT-SE 100 over 8 per cent down.

Next week's Finance and the Family

Many people only discover how inheritance tax works when they meet an unexpected bill. We pinpoint the main traps – and explain how to avoid them.

Wall Street

Players gratefully take their eyes off the ball

It usually helps if Wall Street has something other than the price of stocks and bonds to think about during the slumbers that typically afflict US financial markets at this time of the year, and that something this week has been the baseball players' strike.

While the mid-season disruption of America's national pastime may not be a particularly happy subject, it has at least provided respite, for traders and investors, from the numbing dissections of economic statistics and the endless speculation about Federal Reserve monetary policy that normally passes for intelligent discussion around the trading floors and executive offices of lower Manhattan.

At least with the baseball strike, there are some certainties everyone can rely upon: namely, the rich and greedy owners are fighting with the rich and greedy players over money (in this case, how to divide the $2bn annual revenues the games generate). This sort of thing has been going on throughout the history of baseball. This strike, which started yesterday, is the sport's eighth work stoppage in just over 20 years.

Moreover, while the rest of America struggles to feel sympathy with the two sides in the dispute, there are plenty of people on Wall Street who can find common cause with baseball's players and owners.

For example, the players, who earn millions of dollars a year and feel that nothing should interfere with the free market process that determines the price placed on their talents, are not far removed from Wall Street's best dealers and investment bankers. Their annual salaries are also measured in seven figures, and they would never dream of accepting any restrictions on who they work for, and for how much.

Similarly, the complaints by club owners that the business of baseball is in trouble because costs are rising too fast relative to revenues will find an echo throughout the US business community. The owners insistence that their survival depends upon their employees – the players – accepting restrictions on pay levels would make sense to any industry chieftain. For years, US corporations have been cutting and restructuring their workforces, or imposing wage cuts or freezes, in an attempt to rein in costs during business downturns.

This is exactly what is happening on Wall Street. While much of the rest of corporate America is prospering, the securities broking and investment banking industry is enduring its most difficult period since 1990. After three years of record profits, the earnings of Wall Street firms have shrunk amid falling revenues from securities underwriting, broking and trading.

As a result, Wall Street firms have been taking action to bring costs back into line with revenues. In the last few weeks, Merrill Lynch, PaineWebber, Smith Barney Shearson and Prudential Securities – four of the biggest securities houses in the US – have cut their payrolls, most noticeably in bonds, which has suffered more than any other area from the deterioration in market conditions.

More job cuts are likely, because there are few signs of an improvement in the business environment. If anything, matters may get worse because the upward trend in domestic interest rates, the root of Wall Street's problems, has probably not yet peaked.

Just this week, statistics on July retail sales and inflation provided little evidence to suggest that the economy has been slowing down. If anything, economists believe the recent data has only made it more likely that the Fed will put up interest rates again soon, possibly as early as next week, when the central bank's open market committee meets.

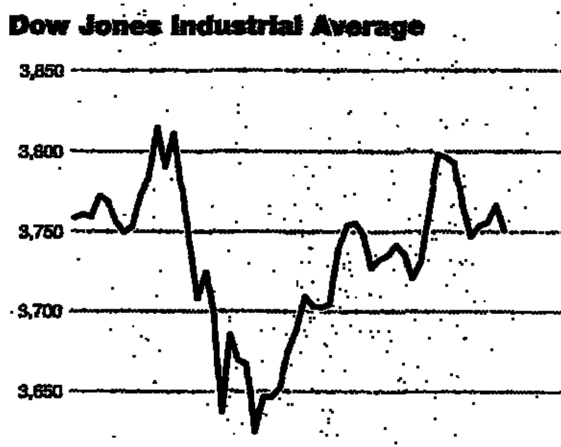
Although another interest rate rise has been partially discounted by Wall Street, it can only reinforce the bearish mood among stock market dealers and investors. The Dow Jones Industrial Average, which has fallen from just under 4,000 to its current level of about 3,750 since the Fed started raising interest rates in February, may have quite a bit further to go before the cycle of rising rates is complete.

Perhaps the market faces a repeat of the Dow's performance during the last prolonged baseball strike, in 1981. In that year, the Dow stood at 1,006 on the first day of the strike. Fifty days later, when the dispute was settled, the average had dropped more than 6 per cent to 942. From then on it was all downhill.

By the time the interrupted baseball season was over, barely seven weeks later, the Dow had plunged another 12.5 per cent to 824. If today's market repeats the performance of the last baseball-strike year, the Dow will be down at 3,100 by the end of October, and there will be more unemployed investment bankers and traders on the street.

Patrick Harverson

Dow Jones Industrial Average



Source: FT Graphite

Monday	3753.81 + 6.79
Tuesday	3755.76 + 1.95
Wednesday	3766.76 + 11.00
Thursday	3750.90 – 15.86
Friday	

Bottom Line

Insurers fail to inspire

Three of the UK's largest insurance companies reported impressive results for the first half of 1994 this week – but their managers can be forgiven if they feel aggrieved by the market's less than enthusiastic reaction.

General Accident (pre-tax profits of £203.2m against a forecasted £177m-£200m) saw its share price marked down 40p over the week, and Commercial Union (which posted pre-tax profits of £181m, at the top of the expected range) was rewarded with a rise of only 12p to 562p.

Royal Insurance did better, but it is the lowest rated of the composites. Its share price rose by 17p to close at 279p, after UK results described by chief executive, Mr Richard Gamble, as its "best ever".

"Most analysts' forecasts were blown out of the water but the markets' reaction has been niggardly," said Paul Hodges, analyst with James Capel.

The response seems all the more surprising because the shares of composite insurance companies have underperformed the Footsie index in the last year and appear under rated.

By Thursday night insurers were on a dividend yield of 5.32 compared to a market average of 3.78, while the sector's price earnings ratio – measured on the basis of its historic performance – amounted to only 9.61, compared to 18.92 for the market.

Underpinning the cool response is the perception that the industry's pricing cycle has reached its peak and that current buoyant levels of profitability could soon begin to erode as prices fall.

In particular the markets are concerned by signs of price competition, especially in the motor market, where a new breed of telephone insurance companies, led by Direct Line, is making rapid inroads.

Some analysts fear that these pressures will gradually feed through into other parts of the market, dampening the profitability achieved after increases in rates and the introduction of more selective underwriting.

This week's results indicate such fears may have been overplayed. Profits from the home insurance market were particularly good, for example. This was partly the result of kinder weather which meant fewer claims for storm and subsidence damage. But it could indicate that the direct writers, which are currently attacking the home insurance market, may experience more difficulty in winning market share than they have done in the motor market.

"People generally show more inertia in changing their home insurance policy from year to year, compared with changing their motor insurer," says Youssef Ziai, analyst with Morgan Stanley.

In addition Ziai says that in some parts of the market – such as commercial property, for example – premium rates are still increasing and he expects competition from European companies and Lloyd's syndicates to be muted.

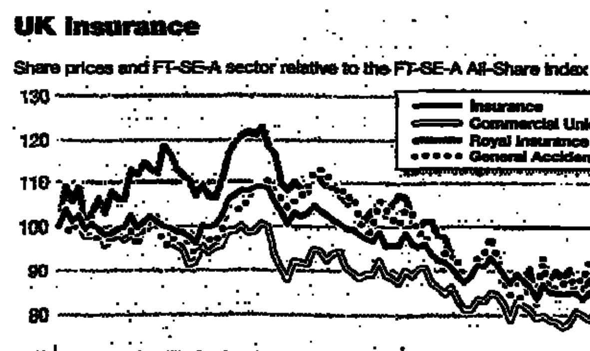
Analysts also suggest that the industry's balance sheet is not strong enough to support rate competition.

Falls in the fixed income and equity markets, have knocked several points off the solvency margins of the composites. "The balance sheets of all the companies have been seriously eroded. There is no excess capital," says Hodges. Hodges and Ziai both expect the present period of profitability to be sustained beyond 1995 and the subsequent downturn to be less sharp. "If UK insurers are looking at a long period of healthy results, their share prices should be higher than they currently are," says Hodges. "Investors do not seem prepared to believe that healthy profits will persist."

Nevertheless it is not difficult to find sceptics. Steven Bird, analyst with Smith New Court and the most prominent of the bearish commentators, believes competition will intensify. He insists that UK trading margins – the companies made underwriting profits of between 16p and 27p for each pound of home insurance premium income, for example – are simply unsustainable and that, outside the UK, returns on capital are generally unimpressive. "I can't think of any reason other than possible bid talk for these shares to rise significantly," says Bird.

Richard Lapper

UK Insurance



Source: FT Graphite

Power to the people – and profits, too

*Now that the industry's regulator has delivered his judgment, **Michael Smith** analyses the prospects of the regional companies*

Shareholders in the regional electricity companies in England and Wales are used to good times. But, even by their standards, this has been a very good week. Following the industry regulator's Thursday announcement on what the market views as generous price controls, shares in the 12 companies rose in value by more than £1.1bn to £15.9bn. There could be more to come – possibly much more.

Even if the companies were simply to stand still and get on with the efficiency savings which the regulator assumes they are capable of achieving, most analysts believe that at least some of them remain under-valued and that the sector will continue to outperform the market for months, perhaps years.

The companies are *not* about to stand still, though. They have a heavy agenda for the next year and most of it seems likely to enhance the value of their shares. Top of the list is the likely flotation of the National Grid, the transmission company owned by the regional companies and which is worth at least £4bn.

One option is for shareholders to be issued with shares in the grid. Another would be to distribute money raised through the flotation to shareholders through a special dividend. Either way, they would benefit. A decision is likely in the autumn, with the flotation following next spring.

Long before that, though, at least some of the companies will have followed the lead of Eastern Electricity in buying back its own shares to cancel them. With nearly all of the companies cash-positive already – and most, possibly all, expected to increase their cash piles after the review comes into force – buy-backs may enable companies to boost both earnings per share and the amount of money they can pay out in dividends.

There is also the possibility of take-overs and mergers, both of and by the companies. But the City will be wary of any acquisitions the companies make outside the sector, given the patchy acquisitions record of other utilities.

It would be more likely to welcome mergers between regional power companies, given the potential for economies. There is also a possibility of them attracting the attention of a conglomerate or an overseas utility company.

The decisions of Professor Stephen Littlechild, the regulator, on Thursday probably will have more effect than any other single factor on the companies this decade. The distribution businesses on which he has imposed price controls contribute about 80 per cent of the regional companies' profits, and the review lasts for five years.

There was no disguising the relief felt by regional company executives. In spite of public statements about the toughness of the regime, it was nowhere near as onerous as they had feared.

Some analysts had, until recently, predicted cuts in distribution prices next April of up to 30 per cent, and increases thereafter limited to inflation minus 4 per cent in subsequent years. But the outcome was 11 to 17 per cent coupled with inflation minus only 2 per cent.

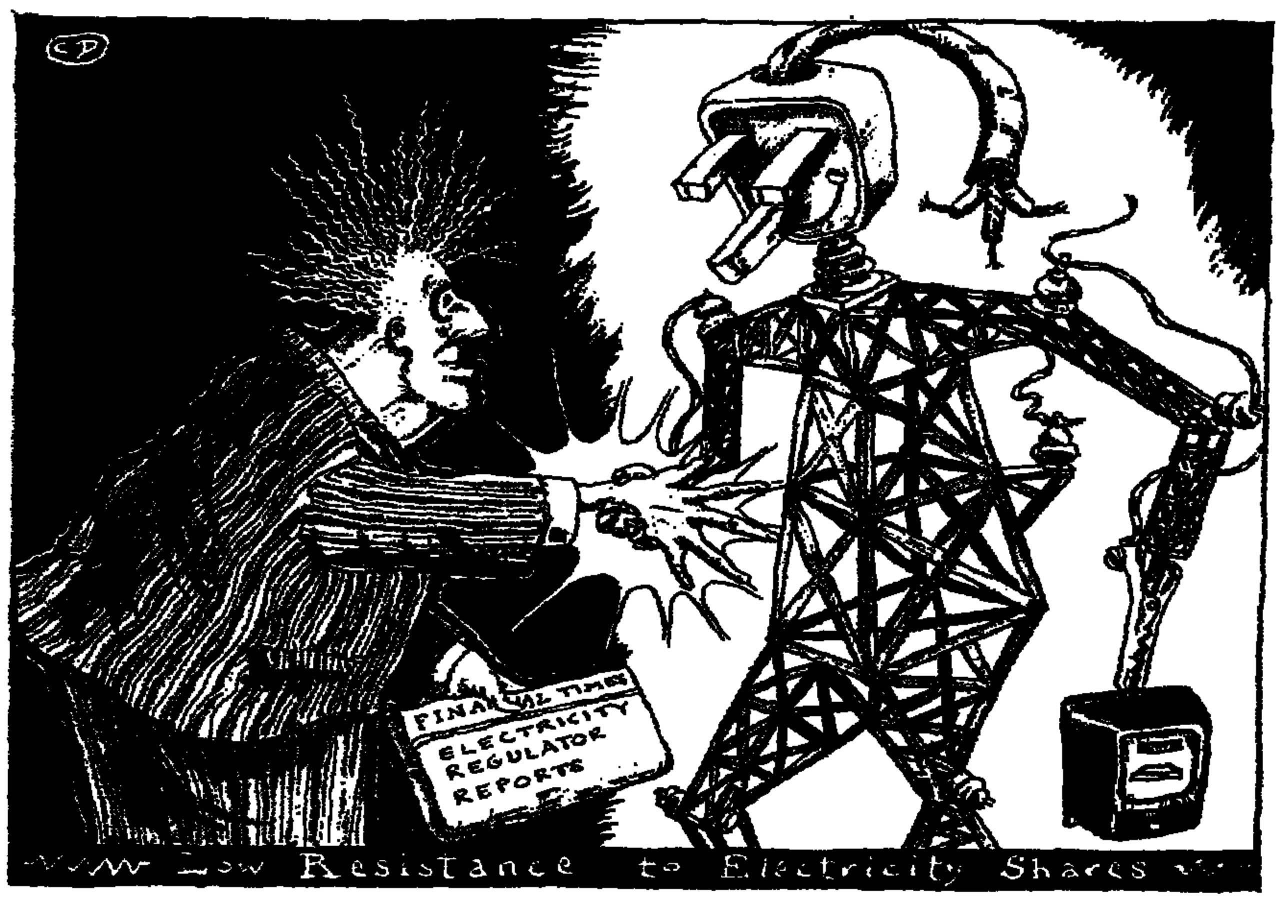
As a result, virtually all City analysts were upgrading their forecasts for the amount by which companies can increase their dividends over the next five years.

Since the yield of utility shares is one of their main attractions, dividend growth is a key indicator for investors. Estimates for real annual increases in dividends vary from 6 to 10 per cent for the sector as a whole, way above the stock market average. Average earnings per share, after an initial drop next year, should grow by at least 2 to 3 percentage points above inflation.

That, then, is the broad picture. But what are the prospects for the individual companies?

Although they were classified as three groups in the review, with different levels of price-cutting resulting, City views on how they fared do not necessarily relate to the group in which they appeared. This is because the price cuts take into account a number of factors, including capital spending requirements and treatment under the previous regime.

■ **Eastern Electricity's** shares reached a record high on Thursday as analysts welcomed the regulator's decision to place the company in the group of three which must cut allowed prices by 11 per cent. After a poor start in the City's eyes following privatisation, Eastern's management under chief executive John Devaney is considered one of the best bets to cut costs and is on several brokers' buy lists.



■ **East Midlands Electricity** was another in the 11 per cent group; this, according to one analyst, was "the first good news they have had for two years". Following problems over early acquisitions, the company has installed a new management which has rectified previous mistakes. But it needs some high capital spending; this was one reason for inclusion in its group.

■ **London Electricity** had the biggest share rise amid relief that the regulator had, apparently, accepted its argument that its high cost base was justified by the difficulties of servicing the capital. The shares had been hit before Thursday because it was thought the company could have to cut prices by more than most.

■ **Manweb** is one of three companies in the group which, on the face of it, fared worst because they must cut allowable prices by 17 per cent. But it argues that the review is less severe than it seems, partly because the company's prices are lower than permitted and partly because of the benefits accruing from the previous pricing regime.

Although traditionally rated highly, analysts are divided as to Manweb's merits. Some say it can still reduce costs but others claim it is missing out by not diversifying.

■ **Midlands Electricity** was in the middle group which must cut allowable prices by 14 per cent. Several brokers, including S.G. Warburg, say it is a buy, in part because of the number of provisions it has made which may be released into profits later.

■ **Northern Electric** is one of three companies which will incur a 17 per cent cut in allowable charges from April. While it appears on few analysts' buy lists, the company's position is poor only in the context of what is considered an extremely favourable review for the sector. "None of the shares in this sector should be sold," says one analyst.

Norweb is judged by most analysts to have fared about averagely and remains one of the sector's higher rated companies. It benefits from its plans to increase significantly the amount of money it makes from unregulated income, including overseas and retailing ventures.

■ **Seeboard** was placed by Littlechild in the middle group, with a 14 per cent cut required in allowable prices. Analysts were split: some felt it had fared badly while others argued it had done well. But, with strong profitability and high dividend cover, it remains rated highly.

■ **Southern Electric** is thought generally to have had an extremely good review. In spite of above-average rates of return on its capital, it ended up in the group of companies which faces only an 11 per cent cut in prices. Most brokers rate the company as a buy.

■ **Swalec** appeared in the 17 per cent group and is judged generally to have had a medium to poor review. Traditionally one of the lowest rated groups, some analysts believe it has more scope to cut costs than most.

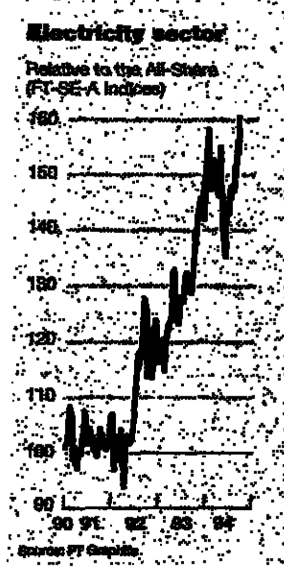
■ **South Western Electricity** has been one of the main beneficiaries of the share price rise since the review's publication. It appears to have convinced the regulator that its high costs are justified because of the rural nature of the area it serves.

■ **Yorkshire Electricity** was one of the first companies to accept the regulator's verdict, saying it was tough but challenging. Following a fall in its rating in the City in the past year or so, several brokers (including UBS) believe its shares are good value.

The kindest cut for electricity

Electricity sector

Relative to the All-Share (FT-SE-A indices)



Source: FT Graphite

COMPANY: Electricity	CUT IN DISTRIBUTION CHARGES 1995/6 %	PROFITS & YIELDS: Last pre-tax profits £m	Current dividend yield %	PERFORMANCE SINCE FLOTATION IN 1990: Compound annual earnings per share growth %	Compound annual dividend per share growth %	Share price relative to sector %
East Midlands Electricity*	11	51.2	4.10	21.4	14.7	-2.46
Eastern Electricity	11	176.8	3.89	19.2	16.8	7.18
London Electricity	14	186.5	4.36	23.3	14.7	-6.80
Manweb	17	126.3	4.04	34.8	29.5	-0.47
Midlands Electricity	14	185.4	3.97	20.0	30.2	5.98
Northern Electric	17	128.7	4.20	28.4	15.2	3.80
Norweb	14	178.3	3.95	65.3	13.7	1.90
Seeboard	14	131.7	3.71	27.5	16.8	12.82
South Wales Electricity	17	104.0	4.43	22.5	14.8	-5.50
South Western Electricity	14	116.8	4.11	24.8	9.6	-0.06
Southern Electric	11	222.0	3.97	26.5	15.6	2.43
Yorkshire Electricity	14	149.0	4.31	8.6	15.0	-8.03

*before exceptional costs.

Sources: Company accounts, Datastream

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The week ahead

Last of the banks

Investors will be watching for shocks at HSBC Holdings as it concludes the interim results season for UK banks. Shares have already fallen sharply this year on worries over Asia-Pacific growth, and its exposure to financial markets trading.

On Monday, the bank, now the parent of Midland bank, is expected to report pre-tax profits of about £1.3bn, compared with £1.17bn. Earnings per share are expected to rise by 5 per cent to about 34p and the dividend to be increased 14 per cent to 8p.

□ Argos, the catalogue retailer, is forecast on Monday to announce an increase in interim pre-tax profits from £13.2m to about £15m. The company said at its annual meeting that like-for-like sales – which exclude new stores – had increased 9 per cent in the first four months of the year, although they had slowed since then. Margins are thought to have held steady.

□ Kalon, the paints group, is expected to report increased first-half profits of £10m (£8.73m) on Tuesday following improved contributions from Novodec – the French paint maker acquired for £22m last year – and Vallance, the specialist products business which cost £6.2m. It has also enjoyed some organic growth in the trade paints business, and is likely to recommend a 1.5p (1.3p) interim dividend.

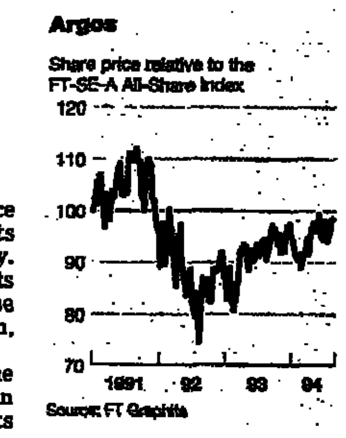
□ Continued rate competition in the US insurance market could hold back profit growth at Sedgwick, the insurance broker, which reports its interim results on Tuesday. Analysts expect pre-tax profits for the six months to be between £55m and £64m, against £54.1m.

□ Britannic Assurance, the life insurance company, will on Wednesday announce its results for the first half of the year. Like other life companies, it is not required to release interim profits figures, so attention will focus on the interim dividend.

Last summer, the interim rose to 3.85p, against 3.433p. Analysts' forecasts for the interim dividend this year are round 4.2p or 4.3p – an increase of 9 or 10 per cent.

□ BICC, the cables and construction company, reports its interim results on Wednesday. The results should show a further improvement in the group's main UK and US cable markets with pre-tax profits expected to nudge above £60m for the six months to the end of June, against a re-stated £50m.

Earnings should be sufficient to cover a maintained dividend but increased payments to shareholders are some way off.



Life company hits trouble

Whenever an organisation says "business as usual", the immediate reaction is that if this really were the position, there would be no call to say so, *write Alison Smith and Tracy Corrigan*.

Even with that caution, the statement yesterday from Confederation Life in the UK that it was carrying on as normal, despite the intervention by Canadian regulators in its Toronto-based parent company, does contain some information to comfort UK customers.

First, there is the knowledge that most of the 250,000 UK policyholders come under the control of the British operation. This is ring-fenced from whatever happens to the Canadian company.

Then, there is the prospect that the UK operation is about to be sold to what Confederation Life describes as a "large financial services company of significant financial strength". That announcement was made earlier last week, although negotiations began a few months ago.

The talks, which are now in the hands of the Canadian regulators, are expected to be concluded very soon.

There are, however, about 35,000 people who took out policies from the UK branch linked to the gilts market; but, when it was still part of the Canadian operation, before 1990. While they fall within the ambit of the parent company, the Canadian regulators intend to include this group as part of the sale of the UK subsidiary.

Both the Department of Trade and Industry and the Bank of England have been kept informed about the progress of disposing of the UK operation, which includes Confederation Bank. This offers residential mortgage loans and deposit account facilities.

While the bank has often featured in our Highest Rates table, the life operation has been one of those named by the Office of Fair Trading as giving poor values to customers who give up long-term savings policies at a very early stage.

The main focus of its business is pensions and it is one of the leading providers of pooled pension products for medium-sized companies. It made pre-tax profits in 1993 of £27.5m against £14.2m in 1992.

If the worst were to happen and the UK company failed, the policyholders' protection scheme – set up in 1975 as a safety net for customers – would come into play and the priority would be to transfer the business on a working basis. It would be wound up only as a last resort.

Bondholders have also been left in a state of uncertainty. Dealers yesterday stopped making prices in Confederation Life bonds, which means that investors are unable to sell bonds at any price.

In the sterling market, the group has a £100m issue of 9¼ per cent notes due 1997, arranged by S.G. Warburg, and a £100m issue of subordinated bonds due 2003, arranged by Barclays de Zoete Wedd. Some dealers said yesterday that the subordinated bonds are being viewed as worthless, as they will rank below other types of debt when any pay-out is made.

■ *Helpline for policyholders: 0800-834 072.*

PERMANENT INTEREST-BEARING SHARES

Stock	Coupon (gross %)	Minimum (£)	Issue date	Issue price (pence)	Price* (pence)	Yield* (gross, %)
Birmingham Midshires	9.38	1,000	16/12/93	100.17	87.25	10.74
Bradford & Bingley	11.63	10,000	30/9/91	100.20	114.00	10.20
Bradford & Bingley	13.00	10,000	29/6/92	100.13	125.25	10.38
Bristol & West	13.38	1,000	11/12/91	101.79	126.25	10.60
Bristol & West	13.38	1,000	31/10/91	100.34	126.25	10.60
Britannia (1st)	13.00	1,000	13/1/92	100.42	123.25	10.55
Britannia (2nd)	13.00	1,000	8/10/92	107.13	123.25	10.55
Cheltenham & Gloucs	11.75	50,000	21/10/92	100.96	116.50	10.10
Coventry	12.13	1,000	28/5/92	100.75	116.25	10.50
First National	11.75	10,000	4/5/93	100.25	102.50	11.46
Halifax	12.00	50,000	23/1/92	100.28	118.75	10.11
Halifax	8.75	50,000	7/9/93	100.62	87.75	9.97
Leeds Permanent	13.63	50,000	3/6/91	100.00	132.50	10.28
Leeds & Holbeck	13.38	1,000	31/3/92	100.23	125.00	10.70
Newcastle	12.63	1,000	8/9/92	100.45	119.25	10.77
Newcastle	10.75	1,000	15/6/93	100.32	101.38	10.60
North of England	12.63	1,000	23/6/92	100.14	119.25	10.59
Skipton	12.88	1,000	27/2/92	100.48	120.25	10.71

*Source: Hoare Govett. *Purchase price as at August 11 ; excludes accrued interest*

NEW UNIT TRUST LAUNCHES

Manager (Telephone)	Sector	Target Yield %	Full PEP Qual	Savings Schemes Avail.	Charges outside PEP: Initial %	Annual %	Other %	Minimum Invst. £	Charges inside PEP: Initial %	Annual %	Other %	Minimum Invst. £	Special offer: Discount %	Period
■ **Mercury Income Portfolio**														
Mercury Asset Management (0800 445522)	UK Balanced	5.2	Yes	Yes	5.0	1.5	No	10,000	5.0*	1.5	n/a	10,000		-

To boost the income, the annual charge is taken out of capital, not income. Invested in gilts (30%), UK equities (60%) overseas equities (10%)

*not available until September

Pibs

Good news for the few

The good news is that owners of Cheltenham & Gloucester's permanent interest-bearing shares will be entitled to a flat-rate payout of £500 and about 13 per cent of the balance (subject to a maximum balance of £100,000).

The bad news is that very few private individuals hold C&G Pibs, which were issued in denominations of £50,000 in October 1992. In any case, to qualify, you would need to have bought the Pibs before the end of December 1992 – and hold them to the day the proposed takeover of C&G by Lloyds bank takes place some time in the summer of 1995.

News of the restructured deal for C&G customers on Thursday (see page V) had little effect on the price of C&G Pibs, according to Hoare Govett's Peter Capel. He said the spread – the difference between buying and selling – of C&G Pibs had tightened recently in anticipation of the proposed merger.

Pibs are issued by building societies to raise capital. They have no maturity date, so the investor's capital cannot be guaranteed. Since they are irredeemable, investors can get back their money only by selling them on the open market.

In theory, they pay a fixed rate of interest indefinitely, but missed interest payments do not mount up for payment at a later date. Pib-holders are last in line for repayment in the event of a wind-up and are not covered by a compensation scheme.

But even though the market is relatively small and illiquid – the sort of market in which institutions rather than individuals are more usually to be found – private investors have been attracted to Pibs because of their relatively high yields, as the table shows.

These yields are, generally, linked to the gilts market; but, since building societies are considered a less reliable issuer than the government, the Pibs yields are relatively higher.

"The steepness of the yield curve means that Pibs continue to offer yields in excess of 10 per cent," said Capel. "This compares very favourably with the most recent Bank of England inflation report, which forecast that the underlying rate of inflation will peak between 3-4 per cent in the first quarter of 1996."

Variations in the price differentials between different Pibs are due to building society factors. Those that are regarded as a better credit risk tend to have lower yields than others.

If the C&G/Lloyds merger goes through, prices for Pibs of other building societies – particularly those deemed merger candidates – are expected to benefit. These include Bristol & West, Coventry, Skipton, Leeds & Holbeck, and Cheshire.

Scheherazade Daneshkhu

PRELIMINARY RESULTS

Company	Sector	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Bowles Hunter	E&EE	May	2,630	(2,240)	19.2	(16.2)	9.7	(9.4)
Flagstone	Prop	Jan	424 L	(730 L)	-	(-)	-	(-)
Howard Holdings	B&C	Apr	405	(205 L)	1.07	(-)	0.8	(0.5)
Save & Prosper (loc)	InTr	Jun†	100.0	(100.0)	32.91	(44.58)	33.5	(44.1)
Scholes	E&EE	Jun	7,020	(4,310)	12.3	(7.7)	1.7	(5.0)
Tiphook	Tran	Apr	331,100 L	(21,800 L)	-	(-)	-	(-)
Unit Group	PP&P	Apr	1,660 L	(388 L)	-	(-)	-	(-)
Westminster Health	Hlth	May	11,200	(4,300)	18.7	(12.8)	4.5	(0.5)
Wholesale Fittings	Dist	Apr	2,320	(2,020)	11.22	(9.83)	11.7	(11.7)
Wyko	Dist	Apr	4,160 L	(20 L)	-	(-)	0.5	(1.0)

INTERIM STATEMENTS

Company	Sector	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
BOC	Chem	Jun‡	169,300	(261,600)	-	(-)
BPP	SpSv	Jun	3,470	(3,340)	3.1	(3.0)
Barclays	Bank	Jun	1.04bn	(335,000)	8.0	(6.5)
British Airways	Tran	Jun⅓	88,000	(63,000)	-	(-)
British Alcan Aluminium	n/a	Jun	7,300	(5,200 L)	-	(-)
CIA Group	Med	Jun	2,320	(1,890)	0.51	(0.467)
CRP Leisure	B&C	Apr	145 L	(117 L)	-	(-)
CU Environment Trust	InTr	Jun†	120.0	(110.9)	-	(-)
Capital Shop Centres	Prop	Jun	8,300	(-)	-	(-)
City Merchants H-Yld	InTr	Jun†	140.2	(-)	4.0	(4.0)
Commercial Union	Ins	Jun	181,000	(66,000)	10.25	(9.75)
Division Group	SpSv	Apr	892 L	(10 L)	-	(-)
Drayton Far Eastern	InTr	Jun†	165.09	(164.8)	0.125	(0.125)
Ecclesiastical Ins	n/a	Jun	8,180	(4,760)	-	(-)
Edinburgh Oil & Gas	O&E	Jun	60 L	(103)	-	(-)
F&C Enterprise Trust	InTr	Jun†	79.9	(88.3)	-	(-)
F&C Investment Trust	InTr	Jun	134.1	(122.4)	0.6	(0.575)
Fidelity Japanese VI	InTr	Jun†	108.32	(96.0■)	-	(-)
Finsbury Smaller Cos	InTr	Jun†	167.2	(150.2)	1.2	(1.1)
Fleming Merc Inv Tst	InTr	Jul†	335.8	(-)	1.675♠	(1.675)
Flying Flowers	ReGn	Jul	589	(312)	0.78	(-)
French Property Tst	InTr	Jun†	94.07	(80.98)	-	(-)
GKN	EngV	Jun	97,300	(60,000)	8.0	(8.0)
General Accident	Ins	Jun	203,200	(124,700)	10.1	(9.7)
Hemingway Properties	Prop	Jun	1,250	(681 L)	-	(-)
Hickson Intl	Chem	Jun	12,100	(12,000)	2.85	(2.85)
Holliday Chemical	Chem	Jun	9,810	(5,690)	2.0	(1.8)
Inspec	Chem	Jun	6,910	(2,850)	1.33	(-)
Inv Tst of Guernsey	InCo	Jun†	77.3	(73.8)	0.825	(0.825)
Johnson Fry 2nd Utls	InTr	Jun†	75.7	(-)	3.0	(-)
Johnson Grp Cleaners	SpSv	Jun	8,2300	(8,700)	2.8	(2.8)
Kleinwort O'seas Inv	InTr	Jun†	277.1	(291.0)	1.5	(1.5)
Lilleshall	BdMa	Jun	3,520	(1,820)	1.85	(1.7)
London & O'seas Frs	Tran	Jun⅓φ	1,880	(1,250)	0.25	(-)
London Securities	Prop	Mar	116 L	(131 L)	-	(-)
Metal Bulletin	Med	Jun	1,210	(971)	4.0	(2.9)
Microvitec	E&EE	Jun	1,120	(570)	-	(-)
New Ireland	n/a	Jun‡	2,390	(4,040)	3.85	(3.5)
Nichols (JN) (Vimto)	FdMa	Jun	3,760	(3,400)	2.25	(2.16)
Reed Elsevier	n/a	Jun	314,000	(261,000)	1.76‡‡	(1.67‡‡)
Reed Executive	SpSv	Jul	2,780	(177 L)	1.0	(-)
Royal Dutch/Shell	Oil	Jun	1.52bn	(1.46bn)	-	(-)
Royal Insurance	Ins	Jun	191,000	(52,000)	4.0	(2.5)
Saatchi & Saatchi	Med	Jun	15,300	(9,100)	-	(-)
Shires High-Yldg Cos	InTr	Jun†	139.4	(146.3♥)	2.4	(2.4)
Smith & Nephew	Hlth	Jul	65,800 L	(78,500)	2.02	(1.89)
Sothebys Holdings	ReGn	Junφ	23,300	(19,100)	-	(-)
Standard Chartered	Bank	Jun	237,000	(170,000)	2.25	(1.875)
Thornton Pan-Euro	InTr	Jun♠	143	(71)	1.0	(-)
Trade Indemnity	Ins	Jun§	74,400	(71,300)	0.4	(-)
TransAtlantic Hldgs	LfAs	Jun	44,200	(30,200)	8.0	(6.0)
Transport Devlpt	Tran	Jun	17,000	(3,500)	3.0	(3.0)
Trans World Comms	Med	Jun	1,290	(254)	-	(0.3)
Union	OtFn	Jun	793 L	(11,310)	1.5	(-)
WPP	Med	Jun	36,200	(24,130)	0.385	(0.35)
Ward	B&C	Apr	2,090	(847)	0.5	(-)
Wembley	L&H	Jun	9,730 L	(2,580)	-	(-)
Woolwich	n/a	Jun	133,000	(87,900)	-	(-)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss. † Net asset value per share. ‡ Irish punts and pence. ⅓ 3 month figures. ■ Figure at launch in March. φ US dollars and cents. ‡ Nine month figure. § Gross premium income. ♠ Net Revenue. ♥ Figures at year end. ♠ Second interim dividend. ‡‡ Dutch guilders.

RIGHTS ISSUES

Commercial Union is to raise £322m via a 1 - 8 at 475p rights issue.
Select Appointments is to raise £44m via a 1.64 - 1 at 12.5p rights issue of 352m shares.

Directors' transactions

Directors at Seton Healthcare have been selling to improve liquidity in their stock. This happens quite often in companies where the shares are held tightly but there is strong institutional demand for equity. By keeping the stock too tightly, a false market can be created. To avoid this, corporate brokers may advise a release of some shares.

□ Brandon Hire is involved in leasing all kinds of equipment including marquees, furniture and power tools. It has been quoted on the Unlisted Securities Market since late 1989 but, in the next few months, expects to get a full stock market listing. In order to satisfy the criteria required for this, chairman Brian Nathan and managing director Richard Bryan have sold stock to diminish their personal stakes. Other members of the board took the opportunity to acquire shares.

□ Barry Charles, chief executive of electronics company Electron House, sold stock worth more than £161,000 during the week to fund the purchase of a house. He retains 40,000 shares.

Vivien MacDonald
The Inside Track

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Amersham Intnl	Hlth	60,000	621	1*
Asprey	RetG	10,000	31	1
Brandon	BCon	750,000	480	2
Daily Mail 'A' N/V	Mdia	30,000	304	1
Electron House	Dist	105,000	162	1
Johnson Fry	OthF	45,159	83	1
Leigh Interests	OS&B	25,000	55	1
Martin Shelton	OS&B	10,000	10	1
MEPC	Prop	18,006	84	1*
Rank Organisation	L&HI	3,439	14	1
Seton Health Care	Hlth	233,705	1	6
Vibroplant	BCon	25,000	25	1
VTR	Mdia	100,000	130	1
PURCHASES				
Ashtead	BCon	8,000	31	1
Brandon	BCon	30,000	19	3
Excalibur Group	Eng	50,000	21	1
Filofax	OS&B	30,000	61	1
Hampson Inds.	Eng	40,000	26	1
Hughes TJ	RetG	20,000	14	1
Personal Assets	InvT	130	10	1
Ransom (Wm)	Phrm	20,000	10	1
Savills	Prop	70,000	55	3
Sutcliff Speakman	Chem	50,000	23	1
Wainhomes(Pen.Fund)	BCon	380,000	498	1

Value expressed in £000s. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange August 1-5 1994.
Source: Directus Ltd, The Inside Track, Edinburgh

RESULTS DUE

Company	Sector	Anncmnt due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS					
Aitken Hume International	OtFn	Tuesday	-	1.0	-
Angerstein Underwriting	Ins	Tuesday	-	-	-
Armitage Bros.	FdMa	Wednesday	2.6	3.6	2.7
BBB Design	Med	Thursday	-	-	-
Dunedin Japan Investment Tst	InTr	Wednesday	-	-	-
Epwin	BdMa	Monday	2.3	5.2	-
Impala Platinum	Extn	Tuesday	-	-	-
Lazard High Income Trust	InTr	Friday	-	-	1.6
Pifco	E&EE	Tuesday	3.5	4.75	1.9
Scantronic	E&EE	Tuesday	0.79	2.331	0.843
Stanelco	E&EE	Thursday	-	-	-
Syndicate Capital Trust	Ins	Thursday	-	-	-
US Smaller Co's Inv Trust	InTr	Monday	-	0.3	-
INTERIM DIVIDENDS					
Alliance Trust	InTr	Monday	14.5	32.5	-
BICC	E&EE	Wednesday	8.0	13.25	-
Cantab Pharmaceuticals	Phrm	Tuesday	-	-	-
Cheshire Building Society	n/a	Tuesday	-	-	-
City Centre Restaurants	L&H	Thursday	0.45	1.33	-
Dawsongroup	Tran	Thursday	1.6	3.0	-
English & Scottish Investors	InTr	Thursday	1.75	-	-
Evans Halshaw	Dist	Tuesday	3.8	9.2	-
HSBC	Bank	Monday	7.0	16.5	-
Irish Life	LfAs	Tuesday	-	-	-
Jourdan (Thomas)	Dvin	Friday	0.5	0.5	-
Lowe (Robert H)	Text	Tuesday	-	-	-
Malaya Group	Dist	Monday	-	-	-
Mercury World Mining Trust	InTr	Wednesday	-	-	-
Micro Focus	SpSv	Tuesday	-	-	-
Midland Bank	Bank	Monday	1.7	1.7	-
Moorfield Estates	Prop	Wednesday	-	-	-
North Midland Construction	B&C	Wednesday	0.4	-	-
Paribas French Investment Tst	InTr	Wednesday	-	1.0	-
Rea Brothers	Dist	Wednesday	0.3	0.45	-
Regal Hotel	L&H	Monday	-	-	-
Relyon	HseG	Monday	1.9	3.3	-
Richardsons Westgarth	Eng	Thursday	1.3	1.9	-
River & Mercantile Geared Cap.	InTr	Thursday	-	-	-
Schroder Split Fund	InTr	Monday	-	-	-
Sedgwick	Ins	Tuesday	3.0	3.0	-
Serif	PP&P	Monday	-	-	-
Takare	Hlth	Monday	0.7	1.4	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results. † 1st quarterly. ♦ 2nd quarterly. ★ 3rd Quarterly

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
	Prices in pence unless otherwise indicated				
Bredero Props.	10*	10	15	3.70	Slough Estates
Castle Comms	360*	3553	340	24.50	ACE Holdings
Davenport Vernon	167	156	113	32.30	Evans Halshaw
Elswick	18½	17	12	37.70	Ferguson Int'l
Great Southern	775*	765	475	112.80	Service Corp Int
Do. Prf.	309*	311	180	16.29	Service Corp Int
LEC Refrigeration	358*	355	355	21.70	Sime Darby
Low (Wm)	360*	362	169	247.00	Tesco
Low (Wm)	305*	362	280	210.00	Sainsbury (J)
NMC ‡	159§§	157	159	113.00	Britton
Scholes	250*	254	193	96.10	Hanson
Spear (J.W)	1100*§	740	740	48.90	Hasbro
Spear (J.W.)	1000*	740	740	52.00	Mattel
Towles	275*	268	243	4.22	London City
Trans World	181	178	173	70.60	EMAP

*All cash offer. §For capital not already held. ‡ Unconditional. **Based on 2.30 pm prices 12/8/94. §§Shares and cash.

"Regrets. I've had a few."

INVESTMENT OF £1,000 IN DECEMBER 1945		
	Foreign & Colonial Investment Trust PLC**	Higher Rate Building Society Account*
[illegible]	[illegible]	[illegible]
1970	£30,269	£2,554
1985	£191,470	£8,489
[illegible]	[illegible]	[illegible]

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*...to 1962 – source BZW. Thereafter highest net rate available from Micropal (£25,000+ Account). Figures are to 31st December (1994 figure to 30th June) and are based on net income reinvested. **Calculation by Foreign & Colonial Management Ltd using mid-market prices, net income reinvested, to 31st December (1994 figure to 30th June) ... historical 1.5% notional expenses. Current charges are 0.2% commission excluding 0.5% Government stamp duty (minimum 50p). Foreign & Colonial Management Ltd is Manager of some of the investment trusts and is a member of IMRO. The value of shares and the income from them can fall as well as rise and investors may not get back the full amount invested. Past performance is no guide to the future.

FINANCE AND THE FAMILY

Black horse looks a banker

Lloyds likely to succeed in C&G bid, say ***Alison Smith and Scheherazade Daneshkhu***

Cheltenham & Gloucester building society is one of the UK's most self-confident mortgage lenders. It does not usually cast itself in the role of an organisation driven by events.

Yet, chief executive Andrew Longhurst could not emphasise strongly enough this week that his board originally had intended all C&G's members to make a windfall gain in sharing out the £1.8bn cash takeover bid from Lloyds Bank.

He stressed that the society had been forced to produce a more restricted scheme for spreading the money among fewer members only because of a High Court ruling.

Acknowledging that people now excluded from the payments – investors who opened accounts after the end of 1992, and all borrowers – would be unhappy, Longhurst sought to pre-empt criticism by saying C&G had wanted to include them.

"If they are to be described as victims," he added, "then they are the law's victims or the government's victims – not C&G's victims."

Although borrowers will get no cash payments, they should benefit from the more competitive rates expected to result from C&G becoming part of the Lloyds bank group.

Like C&G investors, those in the former Heart of England building society, the business of which was transferred to C&G last October, will qualify for payments if they opened investment accounts before the end of 1992.

All payments will be made soon after completion of the deal. This is now expected next summer if it is approved by a special general meeting in March.

Some C&G members, however, are not convinced that C&G had no choice but to act as it has done. Their questions include:

■ Why was there no appeal against the High Court judgment restricting payments?

■ Why did the society not simply set a different cut-off date for qualifying investors to include more of them, even at the expense of extending the timetable for the deal to proceed?

Longhurst said C&G had not appealed because there was no guarantee the appellate court would have ruled in the society's favour. In any case, he added, such a move certainly would have involved another extension of the original timetable.

The original deal was announced in April. C&G feels renewed uncertainty over its future would have a poor effect on both the society and the bank.

Those who see things differently include Paul Rivlin and Peter Nicholson, who are organising members into a C&G Alternatives Group, which intends to call for a special general meeting in the autumn. It takes 100 members to call for such a meeting.

Rivlin says there are three broad subjects which the group would like the board to discuss properly with members:

■ Whether to retain mutual ownership.

■ Whether to float the society instead of simply transferring to an existing organisation such as Lloyds.

■ Whether there could be other potential bidders for C&G. (This would include discussing the society's £1.8bn valuation).

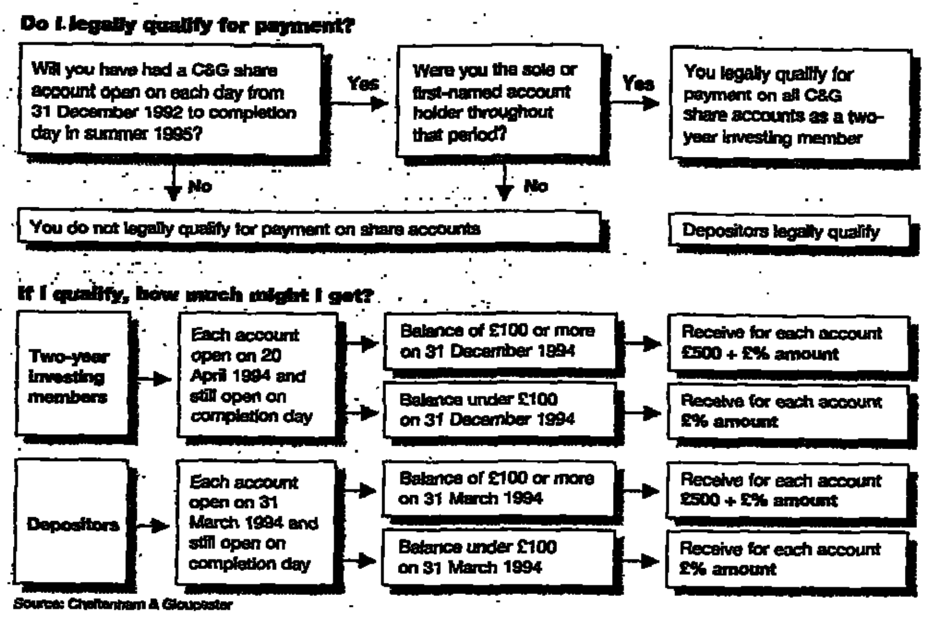
The deal with Lloyds depends on approval by C&G's borrowers and investors in two separate votes.

The society has 370,000 borrowers and a simple majority of their votes is required. There is no minimum voting threshold for borrowers.

But the investors' resolution must be approved by at least 75 per cent of those who vote. It must also be approved by at least half of the total number of investors eligible to vote, or investors holding 90 per cent of the total balances of those eligible to vote.

The recent history of building societies suggests the great majority of members are content to accept the judgments of their boards about how they should progress.

On that basis, even if the alternatives group gets its special general meeting and despite the high levels of approval the Lloyds bid must win from members, C&G looks likely to team up with the black horse.



Source: Cheltenham & Gloucester

Winners and losers . . .

The winners are qualifying investors who opened accounts before the end of 1992 (and maintain them until the completion date), children and trustees, who had been excluded first time round.

Losers are borrowers and savers who opened accounts after 1992. Because far fewer people qualify, they will receive more.

■ Investors – savers who are members of the society – will get, for each account, around 13 per cent of the balance and, if they have more than £100 at the end of December this year, a flat-rate payment of £500, up to a maximum of £13,500 for each account. Depositors will get similar amounts.

■ The average payment to an individual will be about £2,000; payments are expected to be taxed as capital gain.

■ If the balance on a share account was higher on April 20 than on March 31 this year, the percentage payout will be based on the lower balance of April 20 or completion day. Similarly, those who had a higher balance on March 31 will be paid 13 per cent on the lower balance of that day or completion day.

■ Those with joint share accounts will not qualify for payment if the sole or first-named account holder died/dies between December 31 1992 and completion day, *unless* the surviving account holder qualifies in their own right on another account.

■ Holders of Pibs and C&G Channel Island accounts will get £500 and the 13 per cent.

The endowment trap

Surrender and lose, warns ***Scheherazade Daneshkhu***

Cashing in an endowment mortgage within the first five years is likely to lose you far more money than paying off a repayment mortgage early. But endowments remain the best-selling type, mainly because commission-based advisers make more from them.

Endowments comprise an interest-only loan and a stock market-linked savings plan, with life insurance thrown in. If the savings plan grows in line with expectations, it should pay off the capital sum at the end of the term; any amount remaining can be taken as a tax-free lump sum. The borrower's monthly payments are made up of the interest payable to the lender and premiums to the life office.

Banks and building societies are paid commission for selling endowments but not for the repayment type, which does not have a life insurance element. Monthly instalments on a repayment mortgage cover interest and capital.

The Office of Fair Trading is expected to publish figures this autumn showing that, if an endowment is surrendered at the end of the first year, anyone paying £100 a month for a policy (equating roughly to a mortgage of just over £30,000) would, on average, be £600-£800 worse off than if they had taken out a repayment mortgage.

If the surrender occurred at the end of the fifth year, then the relative disadvantage would be £1,600-£1,800 on average. In the worst cases, the disadvantage can be twice the average.

The main problem is surrender values. An OFT report in June found wide disparities in the surrender values of life insurance policies after surveying 60 of the UK's largest life insurers, and our table bears this out. In all three cases, cashing in the repayment mortgage is a cheaper option than an endowment.

You would, however, be far worse off with an endowment mortgage from Allied Dunbar, if you redeemed it within five years, than from the other lenders. This is because Allied Dunbar pays nothing for surrender in the first five years, even though the customer would have paid in premiums of £4,266 by the end of the fifth year.

Allied Dunbar says: "Our adaptable endowment plan is only offered to cover mortgages where there is a client need for the product to be sustained to cover the mortgage over its full period."

Early surrender values are of particular concern to consumer groups. Although an endowment mortgage ideally should be regarded as a long-term savings plan, many people do surrender early. According to the OFT, figures from one lender suggest about one-third of endowment policies are surrendered in the first four to five years.

If you want to repay your mortgage early, it is a better idea to pay off the capital but keep the endowment going as a separate savings plan.

Repayment mortgages have drawbacks, too. In the early years, for instance, you pay more in interest than reducing capital. And, if you move often, you will find you make little headway on paying off the capital.

How do they compare? (£)

£50,000 mortgage	Monthly cost	1 yr	2 yrs	3 yrs	4 yrs	5 yrs
Halifax (7.64%)						
Repayment total cost (a)	340	3,362	6,668	9,916	13,099	16,214
Endowment total cost (b)		3,856	7,685	11,012	14,276	17,476
Interest	280	3,362	6,723	10,085	13,447	16,808
Life premiums	75	901	1,803	2,704	3,605	4,507
Surrender value		407	841	1,777	2,776	3,839
Difference between a & b		494	1,017	1,096	1,177	1,262
Abbey National (7.74%)						
Repayment total cost (c)	343	3,406	6,756	10,048	13,345	16,434
Endowment total cost (d)		4,198	7,801	11,191	14,525	17,802
Interest	284	3,406	6,811	10,217	13,622	17,028
Life premiums	70	838	1,677	2,515	3,353	4,192
Surrender value		46	687	1,541	2,450	3,418
Difference between c & d		792	1,045	1,143	1,180	1,368
Allied Dunbar						
Repayment total cost (e)	340	3,362	6,668	9,916	13,099	16,214
Endowment total cost (f)		4,215	8,429	12,645	16,860	21,074
Life premiums	71	853	1,706	2,560	3,413	4,266
Interest (7.64%)§	280	3,362	6,723	10,085	13,447	16,808
Surrender value		0	0	0	0	0
Difference between e & f		853	1,761	2,729	3,761	4,860

The table is based on a £50,000 mortgage payable over 25 years; the lenders' standard variable rate is shown in brackets. Repayment total cost figures are the sum of monthly repayments minus the outstanding capital (not shown). Endowment premiums are based on a non-smoking male aged 30 next birthday. § Allied Dunbar endowments to back mortgages can be assigned to any interest-only mortgage. The interest rate shown and the calculation for the repayment total cost line are based on a mortgage rate of 7.64 per cent.

HIGHEST RATES FOR YOUR MONEY

	Account	Telephone	Notice/ term	Minimum deposit	Rate %	Int. paid
INSTANT ACCESS A/cs						
Confederation Bank	Liquidity	0438 744500	Instant	£100	4.90%	Yly
Bradford & Bingley BS	Direct Premium	0345 248248	Postal	£1,000	5.40%	Yly
Skipton BS	3 High Street	0756 700511	Instant	£2,000	6.10%	Yly
Nottingham BS	Post Direct	0602 481444	Postal	£25,000	6.60%	Yly
NOTICE A/cs and BONDS						
Bradford & Bingley	Direct Notice	0345 248248	30Day(P)	£1,000	6.00%	Yly
Northern Rock BS	Postal 60	0500 505000	60Day(P)	£10,000	6.55%	Yly
National Counties BS	90 Day	0372 742211	90Day	£50,000	7.15%	Yly
Yorkshire BS	Fixed Rate Bond	0800 378836	30.9.97	£5,000	8.00%F	Yly
MONTHLY INTEREST						
Britannia BS	Capital Trust	0538 391741	Postal	£2,000	5.37%	Mly
Bradford & Bingley BS	Direct Notice	0345 248248	30Day(P)	£10,000	6.30%	Mly
Scarborough BS	Scarborough 94	0800 590578	90 Day	£25,000	6.75%B	Mly
Bristol & West BS	Fixed Rate Bond	0272 294271	5 Year	£5,000	8.25%F	Mly
TESSAs (Tax Free)						
Confederation Bank		0438 744500	5 Year	£8,900	8.00%F	Yly
Hinckley & Rugby BS		0455 251234	5 Year	£3,000A	7.35%	Yly
Melton Mowbray BS		0664 63937	5 Year	£1	7.20%	Yly
Nottingham BS		0602 481444	5 Year	£1	7.15%	Yly
HIGH INTEREST CHEQUE A/cs (Gross)						
Halifax BS	Asset Reserve	0422 335333	Instant	£5,000	4.50%	Qly
Caledonian Bank	HICA	031 556 8235	Instant	£1	4.75%	Yly
Chelsea BS	Classic Postal	0800 717515	Instant	£2,500	5.75%	Yly
				£25,000	6.00%	Yly
OFFSHORE ACCOUNTS (Gross)						
Woolwich Guernsey Ltd	International	0481 715735	Instant	£500	5.75%	Yly
Portman Channel Islands	Instant Gold	0481 822747	Instant	£20,000	6.20%	Yly
Confederation Bank (Jrsy)	Flexible Inv	0534 608060	60 Day	£25,000	6.80%	½Yly
Confederation Bank (Jrsy)	Investment Cert	0534 608060	5 Year	£10,000	8.25%F	Yly
GUARANTEED INCOME BONDS (Net)						
Liberty Life		081 440 8210	1 Year	£10,000	5.30%F	Yly
AIG Life		081 680 7172	2 Year	£20,000	6.00%F	Yly
Laurentian Life		0452 371371	3 Year	£20,000	6.70%F	Yly
General Portfolio		0279 462839	4 Year	£50,000	7.00%F	Yly
Eurolife		071 454 0105	5 Year	£10,000	7.80%F	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)						
	Investment A/C		1 Month	£20	5.25%G	Yly
	Income Bonds		3 Month	£2,000	6.50%H	Mly
	Capital Bonds H		5 Year	£100	7.25%F	OM
	First Option Bond		12 Month	£1,000	6.00%FI	Yly
	Pensioners GIB		5 Year	£500	7.00%F	Mly
NAT SAVINGS CERTIFICATES (Tax Free)						
	41st Issue		5 Year	£100	5.40%F	OM
	7th Index Linked		5 Year	£100	3.00%F +Infln	OM
	Childrens Bond F		5 Year	£25	7.35%F	OM

This table covers major banks and Building Societies only. All rates (except those under heading Guaranteed Income Bonds) are shown Gross. F = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N= Net Rate. P= By Post only. A = Feeder account also required. B= 7 day loss of interest on all withdrawals. G= 5.75 per cent on £500 and above; 6 per cent on £25,000 and above. H= 6.75 per cent on £25,000 and above. I= 6.40 per cent on £20,000 and above. Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD. Readers can obtain an introductory copy by phoning 0692 500677. Figures compiled on: 11 August 1994

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FINANCE AND THE FAMILY

Gilt deals in danger

*A privatised postal service could end them, says **Barbara Ellis***

Cheap dealing in gilts for personal investors could be under threat in the privatisation of the postal brokerage service now run by National Savings. Thirty companies had applied by the August 5 deadline to take part in the tender, including Barclays, Lloyds, National Westminster and Sharelink. Seven will be asked to bid in October in competition with National Savings' in-house team.

As the table shows, the National Savings postal dealing service now has both the lowest minimum charge and the lowest commission on deals worth up to about £12,000.

In the year to April, National Savings handled 80,366 postal gilts transactions, worth £378m, with purchases averaging £4,751 in value and sales £4,627. During the bout of enthusiasm for gilts brought on by falling interest rates in 1992/1993, it did 133,800 postal deals worth £534m.

The cost to investors does not appear, however, to have been a prime consideration for officials at the Department for National Savings who are in charge of the tender, at least in the initial stages.

Nigel Bartram, Sharelink's marketing director, said National Savings had approached his company some months before the tender was advertised, asking if it would be interested in bidding.

"We had a request for a certain amount of information, none of which bears on cost," he said. The focus had been on quality of service, performance measurement, and volumes and types of business.

Bartram said it was too early for Sharelink to judge if the gilts business would be worth a bid if the company got on to the final list but the charging structure looked unattractive.

"The charges levied by the National Savings stock register are very significantly below those that obtain anywhere else," he said. "If anybody is investing from time to time in gilts, that is the most cost-effective way. But if you want real-time prices and instant dealing, you go to a broker."

Bartram added that the pricing of the National Savings gilts service was based on promoting the sale of government debt rather than ensuring the service provider could cover costs and make a margin.

Sharelink, mainly a telephone-based share-dealing service, handles about £1.4bn worth of equities a year but only between £700,000 and £1m a year in gilts deals. The firm says this reflects the low level of private investor activity in the sector.

Although other potential bidders declined to comment in detail, they may well share Bartram's sentiment: "We would not be interested in running a service at a loss on behalf of the government."

What it costs to buy or sell gilts

Institution	Min com	Value of sale or purchase (£) £2,500	£5,000	£10,000	£20,000	£50,000	£100,000
Natnl Savings Stock Reg*	£1 (buy)	£10	£20	£40	£80	£200	£400
Barclays (branch**)	£25	£25	£37.50	£75	£112.50	£157.50	£232.50
Lloyds Bank	£18.50	£18.50	£25	£50	£100	£150	£200
NatWest Bank	£25	£25	£37.50	£50	£75	£112.50	£175
Sharelink	£20	£37.50	£56.25	£61.25	£71.25	£101.25	£251.25
Fidelity	£25	£25	£50	£50	£50	£100	£100
Midland	£20	£25	£50	£62.50	£78.75	£116.25	£150

*The table shows commission (including minimum commission) on the sale or purchase of gilts. *National Savings has a daily limit on dealings of £25,000 per stock; minimum sale commission is 10p. **Commission by telephone to Barclays is £15 (min) and £18.75 on £2,500.*

Investment managers: factfile 8

James Capel
James Capel Investment Management
Established: 1775
Regulator: SFA
Number of offices in UK: One
Number of offices worldwide: 27 in 25 countries
Funds under management: £4.5bn (private client money); $33bn (group)
Number of UK private clients: 10,500
Number of expatriate/foreign national private clients: 1,650
Minimum investment for private clients: £100,000 (portfolio of equities);
£25,000 (managed fund portfolio service)
Current asset allocation for private clients: 61%; overseas equities, 19%; bonds, 19%; cash, 1%
Average annual portfolio turnover: 25-30%
Fees: 0.6% on first £500,000, 0.3% next £500,000 and 0.15% thereafter (minimum £750 a year)
plus transaction commissions at a 40% discount (discretionary clients);
£250 administration fee plus transaction commissions ranging from 1.85% to 0.3% (advisory clients)

The Professionals / **James Capel**

First with the latest

***Joanna Slaughter** on investment managers*

At James Capel, the directors of the UK investment management division like to boast that their private clients receive the latest market information before the institutions. Certainly, Capel's independent research team is both respected and admired, thanks to its habit of dominating the investment analysis league tables.

The firm also believes it has an advantage as one of Britain's oldest stockbrokers, and from safeguarding its independence while benefiting from the resources of the Hongkong and Shanghai Banking Corporation which acquired Capel eight years ago.

Simon Corbett, the director in charge of the division, says: "Stock selection is what James Capel is very good at, and stock selection is the edge that we have.

"We are big stockbrokers, and I think it is very important in managing private client portfolios to continue to be involved with the market, minute by minute."

Capel is willing to construct a portfolio of equities for a private client with £100,000 of assets, a relatively modest minimum figure in today's market place. The house view is that each client needs at least 20 stocks for spread and that £5,000 is the minimum working unit for a shareholding.

The client's exposure to overseas markets is provided by collective funds and, with £500m of private client money in unit trusts and investment trusts, Capel devotes considerable research to these investment vehicles.

Andrew Withey, senior investment strategist, explains: "We rate all the major unit trusts, investment trusts and offshore funds on a scale of A to E, and the James Capel trusts are assessed and rated like anyone else in the market. We go through the performance and the portfolios and, in a lot of cases, we will have the managers in."

Although Capel is basically an equity house, the acquisition of Midland bank by HSBC brought W. Greenwell into the fold. With Greenwell came a wealth of gilts expertise, and Capel's directors argue that one of the firm's strengths is the diversity of experience it can bring to private client portfolio management.

Private investors are the firm's main pre-occupation, and Corbett points to the large number of people there who are dedicated to the business of running private client money. There are 59 private client fund managers, 40 of whom are front-line private client executives.

There are no formal white or black lists of shares to constrain the managers, but Corbett says they would not buy shares in companies not followed by James Capel and the other three investment houses from which it takes research.

Each manager appears to have considerable freedom but there is no cover for rogue elephants. The managers meet each morning, to discuss deals done the previous day, and the purchase of a strange or wayward stock would be exposed quickly.

The strategy committee confers monthly and provides the models around which the investment managers work. Withey, who chairs the committee, says it tries not to make dramatic overnight asset allocation shifts.

He adds: "Back at the end of last year we were a bit nervous and raised about 3 or 4 per cent in cash, but today we are all but fully invested." The framework asset allocation for equity portfolios reflects this view, with 99 per cent of the holding in shares and the 1 per cent balance in cash.

Four per cent of the equity portfolio is in emerging markets and Withey says: "Investment money follows growth. Most of the mature economies of the world are struggling to grow at 2 or 3 per cent, but, if you look at emerging markets, growth is 5 or 6 per cent."

For balanced portfolios, the Capel breakdown is: UK equities, 61 per cent; US, 5 per cent; Japan, 5 per cent; Europe, 3 per cent; Mature Pacific, 3 per cent; Emerging Pacific, 1 per cent; other emerging markets, 2 per cent; long-dated gilts, 13 per cent; short-dated gilts; 2 per cent; index-linked gilts, 1 per cent; overseas bonds, 1 per cent; and cash, 1 per cent.

Sixty per cent of Capel's private client money is managed on an advisory basis and, although the firm's preference is for discretionary money, Corbett concedes: "It is a very good discipline to have advisory clients. You have got to sell advice to them, and that means you have to get your act together."

Unlike some leading private client stockbrokers, Capel has moved to management fees on the ground that this is a "much fairer way" to pay for its services. But the strategy is to keep charges relatively low and competitive: the minimum annual fee is £750. Discretionary clients also receive a 40 per cent discount on transaction charges.

Capel sometimes advertises its private client services and it would be strange if the directors had not cast a glance at the potential of Midland bank to introduce new clients.

The most prolific source of new business is, however, the firm's existing clients. "They're the best sales force we have," says Corbett.

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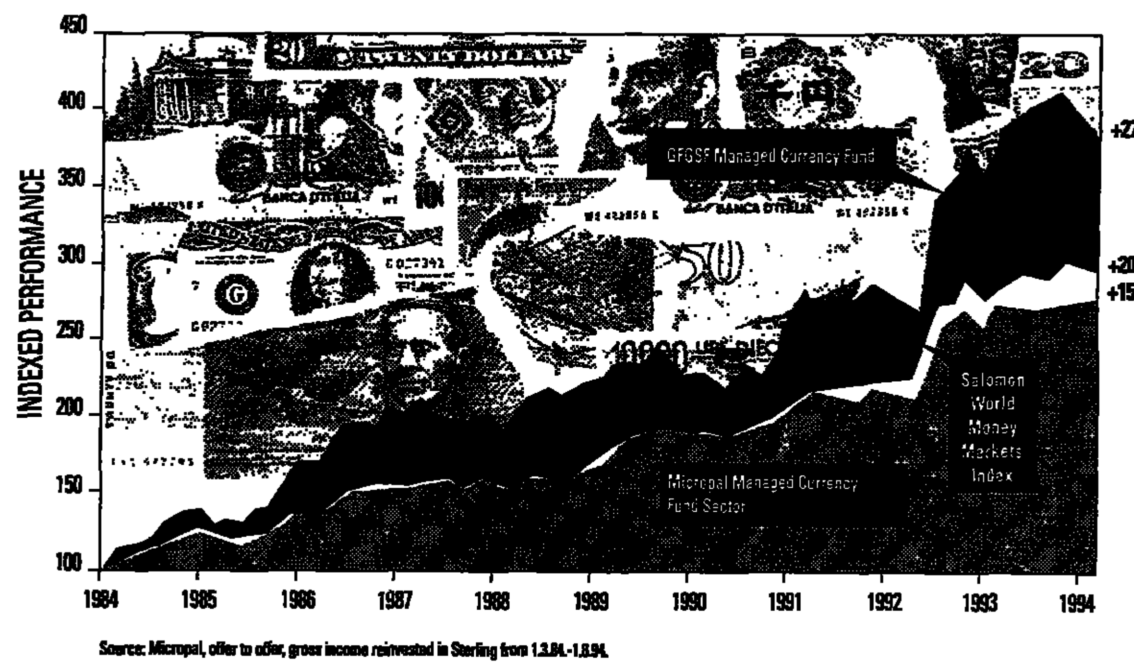

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† Source: Micropal. Offer to offer, gross income reinvested to 1.8.94. * Source: Micropal. Offer to offer, gross income reinvested to 1.8.94. Guinness Flight International Accumulation Managed Currency Fund 1/19, Guinness Flight Global Strategy Managed Currency Fund 4/19 over 10 years to 1.8.94. Over 5 years 6/48 and 8/48 respectively. Past performance is not necessarily a guide to the future. The value of these investments and the income arising from them may fall as well as rise and are not guaranteed. This advertisement has been issued with the approval of Guinness Flight Global Asset Management Limited, a member of IMRO and Lautro and investment adviser to Guinness Flight International Accumulation Fund Limited and Guinness Flight Global Strategy Fund Limited - both Guernsey A1 Authorised Collective Investment Schemes and UK Recognised Collective Investment Schemes under Section 87 of the UK Financial Services Act 1986. Minimum investment per Fund: Sterling £5,000, US $10,000.

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MINDING YOUR OWN BUSINESS

Games that build teams

You could be forgiven for thinking that Guy Baker is an Australian beach bum taking a short break from the stresses and strains of windsurfing.

But while this does number among his many hobbies, the sun-bleached hair and tanned skin are deceptive. At 34, Baker is the managing director of Catalyst Event Management, an unusual team-building company which has experienced enormous growth over its near five-year existence.

Baker is a communication studies graduate with a PhD in recreational management. He began work at the sports council in London. He moved from there to Catalyst in the Lake District to run the outdoor team-building project, Loophole, an adaptation of the BBC TV programme, *Now Get Out of That*. At that time, there were many companies coming up to the Lakes to get involved with similar projects with Catalyst's competitors.

"We thought that rather than the companies coming up here, we would go to them," says Baker. "That way we could reach the people with bigger budgets, such as the sales and marketing departments."

Catalyst is based just outside Kendal in a large house. Sales director John Bird has an office in the Midlands. There are also small franchises in Washington and Cyprus. Catalyst has a staff of eight at Kendal but, for large events, it recruits experts to teach specific skills needed in the team-building activities. Events have been carried out in locations ranging from Brighton and Nottingham to Slovakia and Cyprus.

The games include *Fifteen Famous Minutes*, where teams produce their own Hollywood movie. *Gone With the Wind* and *The Three Musketeers* are two typical examples for which the filming equipment, full costume, make-up and such crucial accessories as Havana cigars, are provided to get into the spirit of the game. A typical film would cost companies around £1,000 for a team of 15.

Other team-building skills might include conquering the wild west or playing at being a hot-shot reporter.

Catalyst does run games that encompass the more traditional forms of team-building, with an emphasis on physical competitiveness and stamina. But, says Baker: "We have steered away from anything traditional, which is why clients find it fun. We help people to use the right-hand side of the brain, the creative side, which is all too often untapped."

Catalyst was started as a venture capital project in 1989 by Beacon Broadcasting Communications. Beacon bore most of the start-up costs of about £100,000, and not everything has been rosy. Turnover in the first year was £80,000. It rose to £500,000 in 1992. Then Baker and fellow team-builder Martin Ruby decided to go it alone. They raised £50,000 from shares and arranged a £10,000 overdraft facility from the bank. It was not easy to convince the banks that an independent Catalyst would be feasible.

Last year, their first since independence, turnover reached almost £1m and profits were about £50,000.

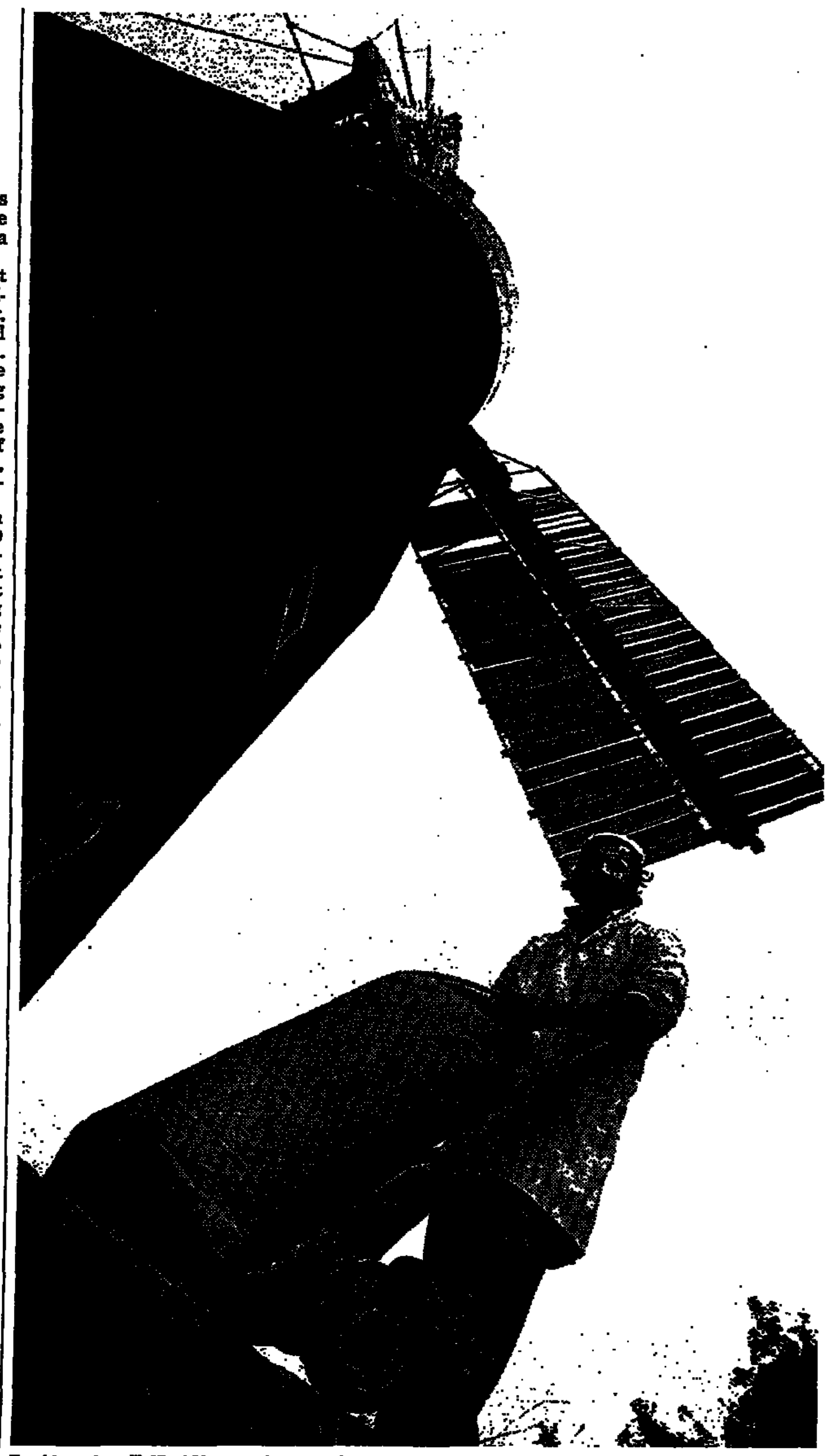
But again, there have been setbacks. The company was surprised by a £12,000 tax bill. "I've never been in a business before which made money so it was a bit of a shock when we had to pay this much tax," says Baker.

Cumbria is not the most fashionable location for a business dealing with multinational clients, but Baker is not deterred by what he calls the company's geographical snob problem.

Expansion plans are constantly considered, but Guy is not too worried if they do not come off in the end. "There's no need for us to grow as long as we maintain our present business," he says.

■ *Guy Baker, Catalyst Event Management, Ruby House, Burneside Road, Kendal, Cumbria, LA9 4RL Tel: 0539-741100 Fax: 0539-741104.*

Sarah Roe



Trouble at the mill: Nigel Moon works seven days a week

Colin Beere

And the miller told his tale . . .

Clive Fewins hears Nigel Moon whistle for the wind

Oh damn! It's stopped! This plaintive cry is a normal part of daily proceedings as Nigel Moon looks up at the stationary sails on his 60ft windmill and whistles for the wind.

Downfield Mill, a brick-built, two-sailed, late-Victorian windmill in the Cambridgeshire fen country at Soham, near Ely, has belonged to Moon for 20 years.

A graduate in history and archaeology, he always wanted to buy a windmill. So, when the chance came to buy Downfield for £5,000 at the age of 22, he left his job with the Leicestershire museum service and took a variety of part-time jobs for the five years needed to restore the building to working condition.

Moon has been a full-time miller since 1980, when the project was completed (apart from an enforced break in 1986 when he spent a year re-building the 36ft sails). The time has gone quickly. On milling days, a flour-covered Moon can be seen dashing frantically around the five floors, tools usually in band as he strives to keep all systems going.

On the days he is not milling, he is on the road delivering his organic brown and white flour, milled oats, rye, maize and barley to whole-food warehouses, bakers, and hotels all over the Midlands. "Sadly, I spend far too much time on the road. Travel is my Achilles heel as I live in Leicester, 79 miles away from the mill.

"The reason I have not moved is mainly economic. Although I have tried, I have been unable to develop new markets round the fens. All my selling is in my native Midlands. To move to Soham would mean more, not less, time on the road."

Although it is an exhausting, seven-day-a-week occupation, Moon says he would not do anything else. He last took a holiday 20 years ago.

"I certainly don't do this job for the money," he said. "Last year I turned over £34,000, and after deducting all my overheads managed to pay myself about £100 a week. Fortunately I am single. It would be impossible to support a family on what I earn, and luckily I have the help of my mother, who is 75 but still drives over to the mill with me and does all sorts of jobs, including cutting the grass."

If he was able to cope with one more large contract Moon reckons he could raise turnover to £40,000. He had the chance to do this recently, but had to turn it down. "Physically I just couldn't manage all the extra work," he said.

'I used to dash over to Soham if there was a good wind blowing'

Moon has reluctantly concluded that the only way to expand his business – and to cope more easily with the physical challenge of handling 10 tons of machinery as a one-man operation – is to sell Downfield and buy a more efficient mill.

"Even when there is no wind and the sails are down it is hard work because I have a set of stones powered by a belt drive from an electric motor I installed in an adjoining building," Moon said.

"Working the mill this way is not as satisfying as when it is running on the sails, but the two systems often run in concert and the electric system helps to keep production going.

"I need to mill between 1½ and two tonnes a week to fulfil my obligations to my customers. It can be very hard if there is no wind. I often used to get up at unbelievable hours and dash over to Soham if there was a good wind blowing. But then I realised that this area has its own peculiar weather system, so I just come when it suits me.

"Most weeks I can rely on sufficient wind to get by – but it is not always on the days when I want to be here milling!

"Downfield is a lovely old smock mill, but when it was rebuilt in 1890 by a local family they didn't use the latest internal design," he said.

"Ideally you want a storage floor at the top with the millstones on the floor below that, not on the first floor, as at Downfield. The real object should be to achieve an on-line flow system using gravity all the time. At Soham a lot of the processes move in reverse. It keeps me fit, but I have to do a lot of charging around."

Moon has his eye on another, technologically more sophisticated windmill nearer his home.

"If I were to sell Downfield I reckon I would get more for the land around it than for the mill itself," Moon said. "Two years after I bought the mill for £5,000, provided by my late father, I was able to buy the quarter-acre plot that goes with it. There is certainly room for a house here. All I need to do now is to find someone mad enough to buy the mill!

"If I am able to buy the other windmill I have in mind, I reckon I could get it going with a minimum of restoration. And because it is better laid out than Downfield I am sure it would be more profitable. The books would certainly benefit from my not having to spend so much time on the road and I would be able to reduce my overdraft. I reckon transport costs me £100 a week, so I would be able to make big savings.

"Nevertheless, I am not really in this business for the money. There must be thousands of easier ways of making a living!"

■ *Downfield Windmill, Fordham Road, Soham, Ely, Cambridgeshire CB7 5BG. 0353-720333.*

What to ask your adviser

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.

What qualifications should a client look for when choosing an adviser?

■ If a potential manager gives you satisfactory answers to these questions, the chances are you will be happy.

1. What security do I get for my money? Ensure that the manager is a well-established member of a regulatory body such Fimbra or Imro.

2. Is the service suitable for my individual needs? It is pointless paying for an advisory and investment service you do not want or use. If, on the other hand, you want a complete management package, then you should listen carefully to what the potential manager asks you. He can create a proper portfolio only through probing your personal aims and circumstances thoroughly.

3. What is the likely performance of my funds going to be? You should get at least an expected percentage of growth and level of income from an investment house. In addition, check how much of your portfolio is likely to go into the investment manager's own funds and what he might invest in specialised markets.

4. How much is the whole service going to cost? Methods of charging vary considerably, with everything from fixed management fees to percentage fees and even fees linked to performance. Be on the lookout for extras such as charges for tax computations, dealing costs and valuations.

6. What can you do that I cannot do myself by using a stockbroker? Ask about the quantity and quality of the potential manager's sources and information.

7. Will you run my funds on a discretionary or an advice-only basis.

8. If using a discretionary service, will you keep me informed fully through contract notes, valuations and regular personal contact.

9. Can I withdraw my funds if necessary? To be fair to both sides, you should judge a reputable manager on a trial period of at least 15 to 18 months. It is crucial, however, that you can withdraw your own money as and when you require.

10. What other services do you offer? The capacity to take over your tax affairs, and perhaps offer guidance on insurance, school fees, banking facilities and general estate planning, could be useful.

11. Can you give me advice on alternative forms of investment. It might be rewarding for you, if required, to receive objective, informed counsel about anything ranging from investment in forestry to enterprise zones.

The answers to all the above points and others, where appropriate, should be set out in a written agreement. Be sure it suits your personal wishes and circumstances. *(Answer by Murray Johnstone Personal Asset Management).*

Loan stock and CGT

I understand that the capital gain/loss on index-linked investment trust loan stock is exempt from CGT. I have difficulty in appreciating why a financial instrument can behave like a share index and yet be treated differently for tax purposes when compared with a balanced equity portfolio (where CGT applies).

1. Is this because the capital uplift/fall is neither allowable/taxable in the hands of the trust for corporation tax? (If so, it appears to me that, in the long run, the ordinary shareholder will lose out as equity markets outperform fixed interest investment).

2. Does the interest received come with a 25 or 20 per cent tax credit?

3. Where is the price of the loan stock quoted in the FT?

4. Why don't emerging market trusts issue this type of stock?

5. Why is there so little of this type of stock around?

6. Why should a discount imply a greater risk? After all most investment trusts (and shares) trade without a discount and no one mentions risk (apart from the usual market risk) there.

■ 1. We do not believe that investment trust loan stock is exempt from capital gains tax. If it was, there would certainly be a lot more trusts.

2. The interest received comes with a 20 per cent credit.

3. The price of the loan stock is not quoted in the FT. You will find it only in the stock Exchange official list.

4. Emerging market trusts do not issue this type of stock because it is very difficult to index emerging markets.

5. If these stocks are held to redemption, they are an effective method of indexing both capital and income stocks. They are an interesting investment from this point of view. But they are, in effect, a form of management gearing and only the most efficient managers (those who beat the index continually) can afford to take part. Otherwise, there would be a dilution of the ordinary shares.

6. We would have thought this type of investment carried less risk than ordinary investment trust shares.

One ought to mention, nevertheless, that there is a risk element because of their poor marketability. *(Answer by Murray Johnstone).*

Shop until you drop

Continued from page I

vacant – and question whether its owners are anywhere near making a decent return on their real estate investment, particularly given the generous leases that had to be offered to attract its four big anchor department stores: Macy's, Sears, Bloomingdale's and Nordstrom.

Wheeler will say only that rental rates have gone up since it became clear the mall had "critical mass", making them comparable to other super-regional shopping centres in the area. Yet, there are persistent reports in Minneapolis that some of the department stores have had disappointing sales.

This, however, is not the case at Nordstrom, which sells up-market clothes and is one of the fastest-growing retail groups in the US. Eric Nordstrom, who runs the outlet, says it has generated the largest first-year sales of any branch since the one in Chicago four years ago. He adds: "I think it surprised everyone in our company."

But will it last, once the initial novelty has worn off? To succeed, Wheeler says the mall needs to generate 70 per cent of its traffic from Minneapolis and the mainly rural 150-mile radius around the city. It has now reached that point after some initial hostility from local residents. "People are finding that you don't need to ride a roller-coaster to buy a pair of socks," Nordstrom notes.

The other 30 per cent of visitors – who account for half the dollars spent – come from more than 150 miles away and are striking evidence that the mall's publicity machine has succeeded in making the centre a big tourist attraction in its own right. Its very name, Mall of America, and its stars and stripes logo, play up the idea that this is a national asset.

Many tourists come from the surrounding mid-western and Rocky Mountain states, lured by one-day "shopper's special" air fares. Charter flights to the mall, which lies close to Minneapolis airport, have been organised from as far away as Britain and Japan. "People are vacationing here from Florida," says an incredulous Nordstrom. "I don't understand it." He adds, quickly: "But you don't have to understand it."

What makes this popularity particularly surprising is that very few of the stores are unique. Most are simply outlets of large US chains; identical shops can be found in hundreds of malls across the nation.

That, together with the mall's bland, characterless atmosphere, means some tourists will leave disappointed. At bottom, the centre is as soulless as... well, as a trip to a shopping mall.

For millions more, though, its sheer size and entertainments will be justification enough for a visit. After all, it is not every shopping centre that can sell you a T-shirt emblazoned with the proud, guilt-free boast: "I mega-shopped the mega-mall."

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-and-
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NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 27th July 1994 confirming the reduction of the Share Premium Account of the above named Company by £94.2 million was registered by the Registrar of Companies on 28th July 1994.
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FASHION

Me and My Wardrobe

The lady loves to shock

***Jane Mulvagh** asks Lady Powell about her choice of clothes and gets a surprising answer*

Forget propriety. Carla, Lady Powell, was wearing skin-tight, black, cashmere leggings and a smile as bright as a Cadillac chrome fender. As she greets you at the door, she exudes ebullient, recession-proof chutzpah.

Married at 19, Lady Powell, the 51-year-old Italian wife of the erstwhile diplomat and Number 10 adviser, has spent the last 30 years escorting her sage plenipotentiary through the corridors of power.

Ask her about her style and she answers with winning directness. "Oh, it's short and tarty, like Crystal in 'Dynasty'."

What joy she must bring to all crusty mandarins – or "old goats" as she affectionately calls them – for she loves to shock in Atlantic-deep décolletés, Kilimanjaro-high minis and dresses slashed from here to eternity. "I love big shoulders, low necks, tight waists and high heels."

Whether she is hosting a private dinner for visiting dignitaries or attending a Washington banquet, her dress teeters on the borders of a diplomatic incident.

Lady Powell is a *devotee* of high-heeled court shoes. "I'm tiny, a midget, so I need heels, and then I feel, well..." she completes the picture with Monroe-like gestures. Those heels are lined up like lethal weapons along 12 shelves, each bearing half a dozen pairs of 3in-high stilettoes but there does not seem to be a single walking shoe or plimsoll among them nor even a black, brown or navy court shoe with sensible heels.

Instead... puce, pea-green, lacquer-red, lambent patents, glittering lurex and crushed velvets. And there, on the top shelf, standing alone, the pride of her armoury, awaiting coquettish deployment, is another pair, 6in-heeled Vivienne Westwood platforms.

Some of this is a bit deceptive: Paul Johnson, the writer and her daily walking companion, later tells me that she is a keen hill walker and rock climber and three very professional-looking pairs of climbing boots lurk somewhere in the house.

Lady Powell is a master of the Wildean art of how to flirt. "I can get away with it because of self-control," she begins somewhat disarmingly. "I'm very earthy and I shock sometimes, but never too much. It's like drinking; you have to know what you can get away with and you have to understand the occasions when you can."

Her style is carefully gauged to contrast her own ebullient personality with her husband's academic and outwardly austere demeanour. She feels that "by marrying me he thinks it's this exotic thing that he can't control. The rest of his life is so in control. You see he comes from a military family – neat, tidy, organised – he even makes his own bed in the morning. He's totally amused by the way I dress."

State, and now private sector, matters prevent them from dressing for dinner together and so Sir Charles never knows what his wife will turn up in next. She loves to sail close to the wind, just to see her husband's face and recalls her first invitation to a formal dinner at Number 10 Downing Street.

"Charles was really scared about that first dinner, what I'd wear. I was advised by Robin Butler (head of the civil service) that I should dress down. To Carla Powell that was as good as a challenge. "I had the most stunning dress you can imagine from Victor Edelstein. White, shoulders out to here, very Dynasty, and totally proper in the front. I walked up to Mrs Thatcher with Charles standing behind her, all proper.

"Then I turned and boom! It was backless down to There: I looked back over my shoulder and, Oh! Charles's look was too wonderful! You see, what men don't understand is that Mrs Thatcher, being a woman, would have loved all that!"

Mary Henderson, wife of Sir Nicholas, guided the Powells through their early years in the diplomatic service. Superficially the two women seem poles apart; in fact they are close friends.

Lady Henderson seems to look on Lady Powell almost as a secret weapon. "When she was on our staff in Germany," Mary Henderson recalls, "whenever we had a difficult dinner we'd always ask Carla. She'd sit cross-legged at the feet of our important guest and he'd be completely bowled over by her and everything went well. She dresses in a very sexy way and is full of vitality. And being in the foreign service she's had to do it all on a very tight budget."

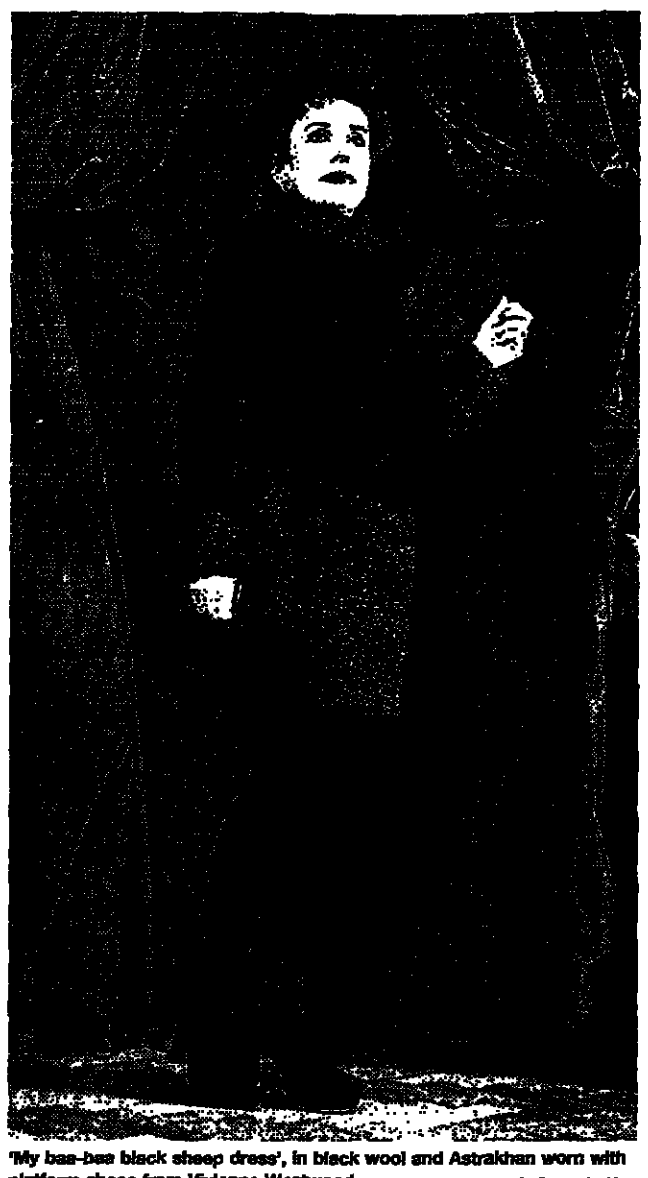
Lady Powell subscribes, out of necessity, to that long British tradition, which makes the average Italian shudder, of "make-do and mend". Ripping the black Chantilly lace from an old ball gown, she can turn it into a mini pencil-skirt by adding elastic to the waist and then popping it over a shiny, tar-black, Norma Komali body.

When her husband saw it he exclaimed, "Oh God! How could you! It's transparent!" But now he loves it, she says.

Lady Powell heartily defends the diplomatic wives, so often ridiculed for their dowdy, home-made dresses. "They have to dress for all sorts of occasions with very little money and you should hear some of the tricks we used."

"You know about the Embassy Dress, of course? The black one with spots on it – very simple."

This grand couture evening dress from Dior was made for Marina Berry in the 1960s. It was passed on to her sister-in-law, Harriet Berry, and eventually on to Carla. It is still in circulation. "We all had our best times in that dress." Lady Powell beams, "and whoever had it we'd all ring up and ask if we could borrow the dress for the night."



'My baa-baa black sheep dress', in black wool and Astrakhan worn with platform shoes from Vivienne Westwood Lydia van der Meer

While working for Hambros, Lady Powell was expected to look efficient and business-like. But, instead of buying a navy suit at Jaeger, she stopped over in Hong Kong and bought metres of washed silk in fuchsia, marrowfat green and midnight blue. In China she bought floral-patterned cashmere, lining it with matching silk: "So much more glamorous than a winter coat, don't you agree?" Three suits, three shawls, all for the price of one Armani jacket.

Other tricks include £50 crochet dresses from Roman boutiques, old ball dresses chopped into thigh-high minis and, her one extravagant buy, a minuscule petrol-blue and black lace dress from a Saint Laurent sale in the south of France.

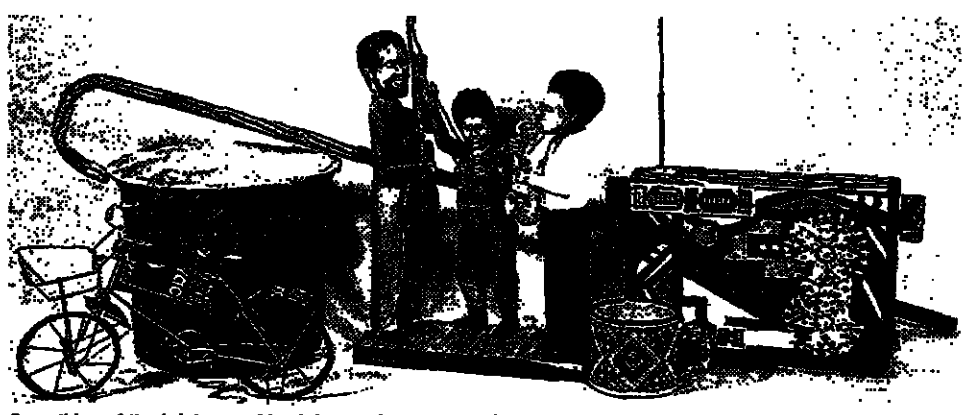
And although her financial circumstances have changed, thanks to Sir Charles's post at Jardine Matheson, she still prefers to shop in boutiques and second-hand markets, although she admits to a weakness for Anouska Hempel and Dior.

Lady Powell in a black crochet dress bought for £50 from a Rome boutique. Her dress can teeter on the border of a diplomatic incident Lydia van der Meer

One cannot see Lady Powell submitting to middle age or sobriety no matter what her husband's station. He may be proper in his grey flannels but she continues to teeter alongside him cajoling, teasing and flirting in Chantilly lace and impossible heels.

"We're complete opposites," she beams. Last year the couple were announced by a master of ceremonies at a dinner. He pronounced his name poshly, like Disraeli's slippery pole; she pronounced it with the wide-mouthed "o". The MC pronounced both and the room roared with laughter.

HOW TO SPEND IT



Something of the bright new kitsch inspired by the turbulent life of the townships. From left to right, wire bicycle (£12.95), papier-mâché wastepaper bin (£32.50), brightly-coloured telephone wire walking stick (£25), gospel figurative group from Harare (£90), beaded enamel mug (£14) and at the back right, an Ndebele-inspired reconditioned radio (£150)

Find an affordable slice of Africa on darkest Regent St

***Lucia van der Post** visits an exhibition of artefacts which steers a careful line between art and tat*

Most of the artefacts that come out of Africa fall into one of two categories – they tend to be either old, rare and expensive or else mass-produced, tatty and inexpensive. Liberty of Regent Street this week has opened a selling exhibition of Africana which miraculously manages to fall between the two schools – almost nothing is antique or rare but neither could any of it fairly be dismissed as tourist tat.

Having been a modest collector of Africana for some time (the stars of my collection probably being the little tortoise-shell and ostrich bead Bushman powder puff or, then again, it could be the spear I bought straight from a Masai warrior striding across the Serengeti) I know just how out of reach the truly old and beautiful pieces of African art have become.

Picking out the one good mask from a load of tat turned out cynically for the tourist market is not always as easy as it ought to be. And while nobody minds if they like what they are buying and are being charged accordingly, none of us likes being taken for a ride.

Here in the Liberty exhibition the buyer, Ron Stewart, is completely open about what is on offer. "Nothing here is truly old and rare but everything here has appealed to me and captures something of the deep hold that Africa exerts on almost everybody who visits it."

He has managed to bridge the old and new worlds of Africa. Rooted in old Africa are pieces of woven raffia cloth from Zaire, made today but according to traditions that stretch back to long before the white man came. There are brass sculptures from Benin, again contemporary, but part of a long tradition of brass sculptures.

There are Ndebele aprons of fine beadwork on animal skins, nearly as nice as the one I found in Johannesburg's city market some years ago. There were a couple of truly rare leather Masai shopping bags (I say "were" because I have just bought one and you had better hurry if you want the second one), chicer than anything from Hermés or Gucci, though to be truthful the smell is rather more pungent than Shalimar.

From new Africa there are vital, colourful township art and artefacts. Anybody who has been to an African township will know of the freshness of their approach to even the most every-day things. In a poor, dusty village in remote Botswana, I came upon one of the most desirable toys I have ever seen – a push-along lorry fashioned with love and ingenuity out of old tins and wire by a father for his son.

That same impulse can be seen in the wire bicycles on sale and in the huge and wonderful tin and wire impression of a computer. The techniques used in the colourful Imbenge baskets traditionally made by the Zulu night watchmen out of old telephone wire have been deployed to make a wildly jazzy walking-stick. Old petrol-cans are saved, beaten and joined together to produce some of the jolliest lunch-boxes I have seen.

Radios (proper working models) are housed in wooden cases painted in jazzed-up versions of traditional Ndebele paintings. Old enamelled tin mugs are covered in colourful Zulu beadwork and papier-mâché wastepaper baskets covered in joyfully simple images painted in brilliant colours.

White mask from Zaire (£300) representing old, traditional Africa

Then there are the pieces that veer more towards proper art – from South Africa comes the most expensive piece on sale (£7,500), a vast brilliantly painted sculpture of David and Goliath by the much-fêted South African artist, Johannes Maswanzany. From Zimbabwe there is a huge and impressive metal eagle (£575) as well as some naif and charming figures made by a religious group in Harare.

For those wondering how to incorporate some of the fabrics into what might be a chintzy British home, I have draped some of the appliquéed raffia cloth from Zaire very simply over a pole in our study and very splendid it looks, too, while the square panels of patterned cloth can be framed and hung to serve the function of a picture.

The exhibition at Liberty opened this week and is on until September 3.

In the Indian swing

If you feel that this summer you did not get it quite right in your garden, you might like to start planning now for next year's British heatwave.

My own tastes in garden furniture run to the plain and indubitably English. But there is a place for exotica and furniture does not come more exotic than Jeremy Lowe's Gujerati swing-seats.

Lowe originally came upon the seats when he was travelling in Rajasthan a few years ago and realised that these traditional indigenous designs were completely different from anything on the market in the UK. He decided to investigate the possibilities of importing them and, after experimenting with a few prototypes, has arranged for a small group of pieces to be made by local craftsmen in a small village in Gujerat.

Not the least of the pleasures of the pieces is the fact that they involve using long-established hand-crafting skills and that a whole previously depressed village has a worthwhile project to work on.

Benchmark's hand-carved wooden seat, £245

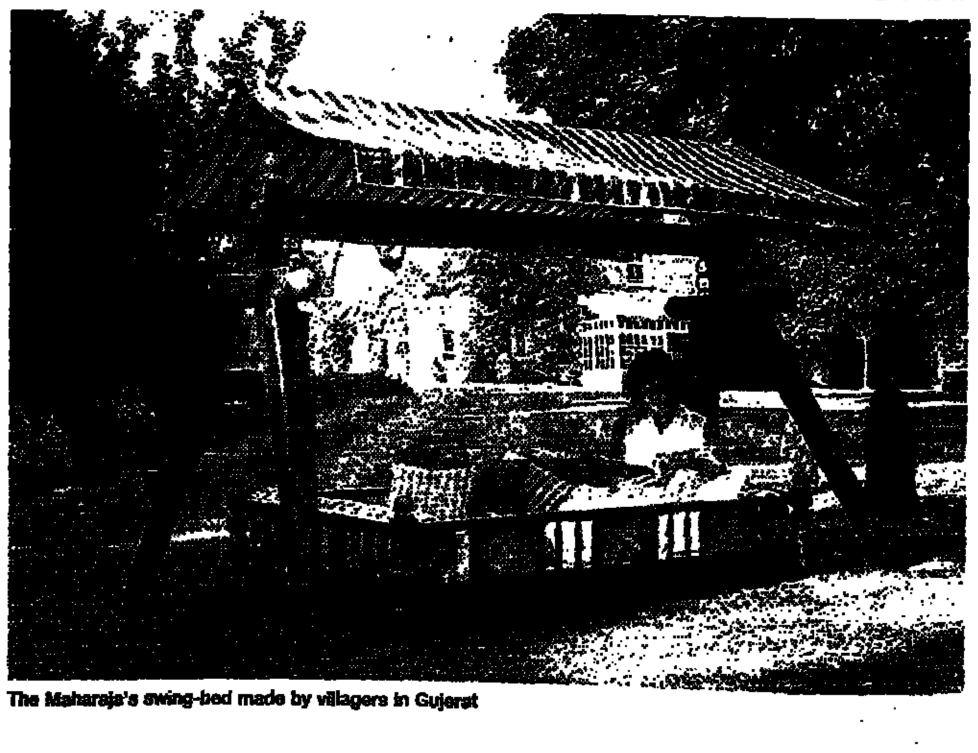
There is a Maharaja and a Maharana's swing bed, an armchair, two-seater and three-seater benches, tables and a deckchair. Made from Burmese teak there are also canopies, bolsters, upholstered mattresses, loose cushions and cushions covered in Indian cottons.

For those who are optimistic about more languid days next summer, now may be the time to dream about lazy days in a Maharaja-style swing-bed. Jeremy Lowe's company is called Benchmark. In his Oxfordshire workshops there are prototypes which can be seen and ordered from but the earliest deliveries will be in three months.

The Maharana's swing bed is the most expensive of all the items, costing £1,795, while the Maharaja's for some reason is just £1,650. A swing chair is £1,595, an armchair £245, and a carved deckchair £95. A canopy with frame and poles is £300, bolsters £55, loose cushions £25 and armchair and seat cushions £45.

Benchmark has an illustrated leaflet which it will send to those who are interested. Write to Denman & Lowe, The Studio, The Old School, Wheatley, Oxford OX33 1UB. For appointments to view the prototypes telephone 0865-873868.

L v d P



The Maharaja's swing-bed made by villagers in Gujerat

FOOD AND DRINK

Californian wine/**Jancis Robinson**

A louse in the garden of Eden

Until recently, the Napa Valley in northern California has seemed the wine region closest to heaven. On a previous visit there, I seriously thought the reason I was never troubled by a fly, wasp or mosquito was that insects did not dare interfere in this perfect little bucolic kingdom of mammon.

How wrong I was. Today in the valley, and in much of Sonoma, its long-overshadowed neighbour, the wine industry's financial viability – already coming under severe scrutiny – has been gravely prejudiced by the activities of two tiny insects.

The phylloxera louse, which threatened to destroy Europe's vineyards 100 years ago, has been steadily munching its way through thousands of acres of northern California vineyard, while leaf hoppers, or sharpshooters, have been busy transmitting the dreaded Pierce's disease, for which there is no known cure.

The phylloxera-struck vineyards are being painstakingly ripped out, no matter how young – and the usual productive life cycle of a vineyard is at least 30 years – so that this beautiful wine valley, once a verdant sprawl in high summer, is today a patchwork of plots which tell their own story.

Some owners just cannot summon up the cash or the will to renovate affected vineyards, and their decrepit vines stare balefully at visitor and resident alike, a constant reminder of the economic pressures which have squeezed so much of the glamour out of the northern California wine scene in the past few years.

Many have taken a deep breath and are replanting millions of vines each year so that the symbol of the era has come to be not vines but the open-bottomed milk cartons which are put around each tender new plant to protect it from frosts and predators. (There is surely a market opportunity there for a more aesthetically acceptable substitute.) And then there are those few growers lucky or clever enough to have avoided the rootstock that has succumbed to phylloxera.

But Californians are nothing if not optimistic. The official line is that this vineyard devastation is a blessing in disguise. The enforced replanting, they point out, is allowing them to improve, much earlier than anticipated, their vineyard and vine design, and to choose more suitable grape varieties for each site. Such spirit.

So what are they choosing to plant? Rich Kunde is California's most influential vine nurseryman and, luckily for the rest of us, a keen record keeper of the vines he grafts, three years ahead of their being able to produce wine.

Well Chardonnay, the wine world's darling, would be expected to be increasing its domination of California's vignoble, but Chardonnay grape prices have been falling and, last year, Chardonnay cuttings were only just more popular than Kunde's most sought-after red wine variety.

For some years now this has been not the expected Cabernet Sauvignon but the softer Merlot – Cabernet without the pain.

The re-planting of damaged vineyards reflects a trend for all things Italian

Cabernet Sauvignon comes a poor third and there is clear evidence of a new-found pride in California's "own" Zinfandel, both in prices paid and area planted. Red wine varieties have at long last become more popular than white, largely thanks to their association with lower risks of heart disease. The tonic factor.

But the really hot item is a white variety, Viognier. Although fewer than 200 acres were in production in time for the 1993 vintage, Kunde supplied almost as much of this obscure north Rhône white grape variety this year as he did of either Sauvignon Blanc or Pinot Noir, two of the state's proven vine variety classics.

California Viogniers tend to have more substance than their counterparts in the south of France, which has also fallen victim to Viognier mania. The most notable example of this weight is Calera's 1993, made from vines planted in the relatively prehistoric early 1980s and notching up a hefty 14.5 per cent alcohol.

Kunde's own-label Viognier is, hardly surprisingly, considerably lighter, while Joseph Phelps's would probably be the ideal choice for those seeking a Condrieu substitute.

Red Rhône varieties have been equally popular. You can still charge a $10 premium on any bottle carrying the magic words Syrah or Mourvèdre, and new Rhônish bottlings are sprouting up all over the state, helped by California's considerable acreage of Grenache, and the discovery that the ancient vines for long despised as Mataro are in fact none other than Bandol's own Mourvèdre.

Jade Mountain's examples are impressively exuberant, and Bonny Doon's (also imported into the UK by Morris & Verdin of London SW1) would be worth buying for the labels alone.

But it looks as though California's vineyards for the next three decades will reflect not just the current vogue for Rhône varieties, but also the coming trend in favour of all things Italian. Sangiovese cuttings were in huge demand this spring, and California's first attempt at the variety disappeared off the shelves as soon it arrived.

The best example I have tasted is Villa Ragazzi, one of the many annoying California wines made in tiny, almost uncommercial quantities – in this case by Mondavi's winemaker Charles Thomas, from fruit grown by the Rodeno family, associated with St Supéry winery and a Napa law firm.

And the influential Robert Mondavi is said to be getting in on the Italian act (as well it might, considering its origins), with the trend-setting release next year of varietal whites labelled Tocai Friulano and Malvasia Bianca.

Elsewhere, Ivan Tamas has even managed to make a creditable, full-flavoured varietal Trebbiano, a variety that is regarded as a ubiquitous embarrassment in central Italy.

It seems as though California's big re-plant may be being dictated less by detailed site analysis and more, as usual, by the great god fashion.

Let's have fare play

*As the English soccer season opens, **Peter Berlin** looks at how fans are fed*

At the top of the away terracing at Brisbane Road, home of Leyton Orient, an English second division soccer club, squats a hamburger shack. The terracing is exposed to the elements. When the wind blows it wafts the foul smell of greaseburgers and cooked canned onions down over the fans.

When the rain falls it forms brown puddles amid the discarded plastics spoons, sugar, milk and tea spilt from the table next to the stand. The shack is an institution. Its occupant is known with affection as the "fat frier". Nowhere in England are travelling fans, usually regarded as unwelcome guests, treated so well. Inexplicably, fans seem to like the fare and, unusually, they can queue for, buy and eat their burgers without missing any action.

Clubs know that catering can be lucrative. They offer spectators in the executive boxes smart pre-match meat-and-two-veg meals.

They have restaurants and banqueting halls for pre and post-match meals. But the average fan wants no more than a quick snack before kick-off and at half-time. The result is an uneasy compromise: a limited menu of overpriced and sweaty burgers, sausage rolls, pies, Kit Kats, fizzy drinks, instant tea, Bovril and, when permitted, beer, with just about enough vending staff to get everyone back into their seats by five minutes into the second half if they spend the whole interval queuing.

Compare and contrast with the Ballpark at Arlington, a baseball stadium opened this year, home of the Texas Rangers. A baseball crowd looks like an ants' nest. Regardless of the state of play, lines of people scurry up and own the aisles, ascending empty-handed, returning with laden cardboard trays, dodging the mobile vendors who sell drinks, ice-creams, popcorn, hot dogs.

At Arlington every step has been taken to make sure that the fans spend the entire three hours or more that a game lasts eating and drinking themselves into a coma. There is an upmarket restaurant, the Diamond Club, for holders of season tickets. This offers "white tablecloth dining" in tiered seating which allows you to scoff and watch.

There is a branch of TGI Friday's which also offers a view of the game. In "preferred seating", ie ordinary seats that cost more, there is waiter service. A friendly young man regularly comes round and pesters spectators.

Do they want even more nachos, burritos, hot dogs, beers, even Caesar salad? He taps the order and seat number into a hand-held computer, transmits it and seconds later another friendly young man appears with the food and the bill.

'In Dallas Cotton Bowl there were sausages on sticks and turkey legs which looked as if they had come off ostriches'

Along the concourses behind and under the stands, the hot humid Texas air is filled with the smell of burning meat. There are 102 concession stands, all operated by Sportservice Corp of Buffalo New York. Some have droll baseball names: Short-Stop, H R (home run) Bakery, R B Ice Cream (a pun on RBI for run batted in) and Bambino's (which serves pizza and is named after Babe Ruth). There are yoghurt stands, barbecue sandwich stands, Tex-Mex stands.

On the upper level there are four "grilles", air-conditioned fast-food havens that sell the full range of hot dogs and drinks, and hamburgers and "carved sandwiches". You can cool off, eat, and still watch the game through the windows.

It is not gourmet food but it is tasty, varied and attractively presented. The prices are not exorbitant and the queues are rarely long.

But there have been unexpected drawbacks. The detritus from the eatathon is rinsed into the stadium's storm drains. There it has rotted in the humid Texas heat. The stench is worst near the best seats. The club has taped over drains and is planning to introduce machinery to blow the gases from the drains.

The quality of food at Arlington is not unique. I visited the Olympic Stadium in Montreal, a modern, covered arena where the Expos baseball team plays. There are pizzas, burgers, hot dogs, croissants, salads and ice creams there, as well as a Kentucky Fried Chicken franchise.

The food court offers the atmosphere and variety and quality of catering of British Rail's tarted-up London termini. There are also Montreal smoked meat sandwiches (with a strong chemical taste of flavourings and preservatives) and even *poutine*, a Quebecois dish of chips, gravy and cheese curd; traditional but hardly a delicacy. This is children's food and at the Olympic Stadium half the crowd seemed to be made up of delirious children in a screaming sugar frenzy.

A few baseball stadiums, notably those in New York, share the British soccer approach. Yankee Stadium has a "food court" somewhere in the bowels of the stand but it is hard to reach and queues are long. I went on opening day in April. The fans in the cheap seats were happy with a steady diet of beer, broken occasionally by a hot dog. The result, after three hours in the hot sun, was more fist-fights than I saw in the whole of last season at English soccer grounds.

For soccer fans who travelled to the World Cup dreaming of better snacks in the land of fast food, the experience was more Orient than Arlington. This was in part because the matches have, for the most part, been played in old, or very basic American football stadiums.

At Giants Stadium in New Jersey, the most solid foods on offer were hot dogs and dehydrated potato knishes sitting foil-wrapped in heated display cabinets. The soft drinks were flavoured with chlorine by the ice cubes. When Ireland played Italy there, in 90°F, the bars ran out of Evian water, at $1.70 for a tiny bottle. The beer supplies held up – a reflection of the appetites of the American Football fans who normally use the stadium.

Strangely, given soccer fans' immobility, there were few vendors walking the aisles. In blazing Dallas they offered drinks. Small bottles of water "ice cold" at kick off, merely "cold" by half time, cost $3.

There are pleasant surprises. The outdoor walkway around the Rose Bowl in Pasadena is filled with food stands: there are churros (fried, sugar-dipped ropes of dough), pizza and lots of ice creams and ice lollies as well as the usual hot dogs. But at most of the other grounds, at least those not surrounded by huge car parks, the best food is outside the stadium.

The ageing Dallas Cotton Bowl, just a few miles from Arlington, sits in Fair Park, built to host fairs and exhibitions. There, the restaurants were open and vendors had set up stalls. There were sausages on sticks and turkey legs which looked as if they had come off ostriches and which British police would view as a potential weapon.

On the shady approach to Stanford Stadium I had a burrito as big as a soccer boot from a friendly family stand serving Mexican food. It was bland, as Americanised Mexican food so often is and so stuffed with beans in a liquid sauce that it was impossible to eat standing up.

But compared to anything on offer in Leyton on a Saturday afternoon, it seemed wholesome, exotic, tasty and generous.

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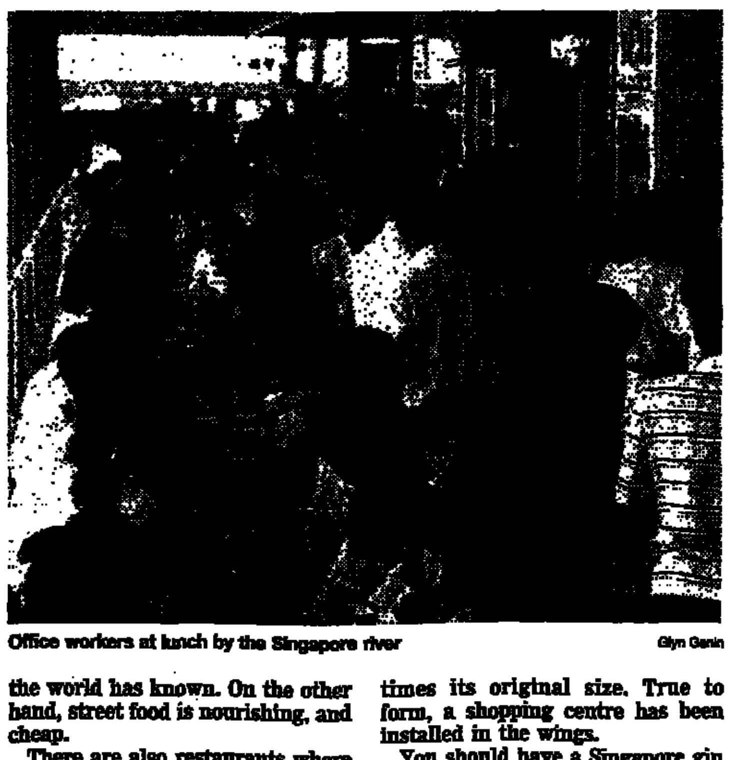
Eating in Singapore

Rude food served here


Office workers at lunch by the Singapore river — Glyn Genin

Singapore is a peculiar place. It is in Asia, but it is not very Asian. If it were not for the hawkers' stalls, and the occasional whiff of durians, you might believe you were in some squeaky clean version of Chicago or Frankfurt-am-Main, only populated almost entirely by Chinamen.

You get a better perspective if you cross to the seedy, scruffy little town of Johore Bahru: this is Singapore without the polish. Singaporeans go there in droves to buy cheap food and to chew gum. When they return on the bus and cross the causeway to Singapore, they stick the gum to the backs of seats.

Singaporeans are rude. They were rude to me in the airport, even before I had passed through immigration and they were especially rude at the Boulevard Hotel. I thought that they would all be pig-rude until I met a jolly taxi driver who was keen to fill me in on Singapore's latest murder stories and who took me off to a more down-market hotel where the staff were a little better behaved than they were at the Boulevard. The next night I moved into the Oriental and all was sweetness and light.

I understand that businessmen go to Singapore, but I do not think anyone goes there for pleasure. Japanese and Australians go to Singapore to shop, even though the prices are not as keen as they once were. Cultural tourism is a bit of a non-starter as there is precious little of old Singapore left and what there is has been "Disneyfied" in a thoroughly repulsive manner.

But, and here is a big but, you may eat well in Singapore.

The best way to eat is to go native. All over the island there are hawkers' centres where the formerly mobile kitchens have been brought together. Various Chinese cooking styles are in evidence: Malayan food; Indonesian food; Indian food; and the Peranakan food of the native straights Chinese.

You can have great fun at the hawkers' centres. Only you should avoid the sanitised, perhaps "pasteurised" is a better description, Telok Ayer Market with its fried chicken and go instead to the big shed on the other side of the main road which has yet to be faked. Similarly, you can do better than the rather twee Satay Club on Connaught Drive.

The true gourmand revels in a Singaporean hawkers' centre. Duck and beef porridge, Indonesian rice and noodles, mutton satay, lots of exciting innards such as pigs' organ soup, pigs' ears, pigs' tails and bowls of beef broth swimming with tripe. You wander around the stalls picking what pleases you and then return to your seat. Within seconds the plates are slammed down on the table and a grasping paw is stretched out to the cry "two dollars" (for that is all it costs). If you are quick you can also catch the arm of the person carrying bottles of the excellent local Tiger beer. Then your meal is complete.

It is far from being a relaxing way to eat. After a week of it you are ready to concede that the French three-hour dinner is the greatest contribution to civilisation the world has known. On the other hand, street food is nourishing, and cheap.

There are also restaurants where you may eat in this basic way. Swee Kee, in Middle Road, is almost next door to the Raffles Hotel. There, for about $3, you are given – thrown is more like it – a big portion of boiled chicken, chicken broth and rice. A dinner of this sort lasts at most 15 minutes.

In little India you get chiefly south Indian food as well as some local specialities such as fish head curry – the eyes are said to be the best bit. I prefer the cheeks. Vegetarian food can be good here. The paper *masala dosas*, onion *ottapams idlis* and *vadas* were every bit as good as the ones I had eaten in Calcutta.

Of course not everyone gets the chance to go native. If you are out on business, you will probably eat in a posh restaurant or a hotel. The Raffles Hotel has been reset in plastic and cloned to twice or three times its original size. True to form, a shopping centre has been installed in the wings.

You should have a Singapore gin sling there, because that is where it was created.

You may eat well at the Raffles too, but the best meal I ate in a restaurant was in Violet Oon's Kitchen. This is Peranakan or "Nonya" cooking (a Nonya is a native Chinese woman with an infusion of Malay blood). The food adapts Chinese and Indian ideas and welds them to the local Malay diet. This is as near as you will get to the real Singapore and Oon is as hospitable as one could wish.

The rest of them should be packed off to charm school.

■ *Information: The Oriental (tel: 338-0066. Fax: 339-9537); The Raffles Hotel (tel: 337-1886); Violet Oon's Kitchen (tel: 226-3225. Fax: 323-5009). Oriental (Britain) (tel: 071-537 2988).*

Giles MacDonogh

Barbecuing

Herbs are the answer

***Nicholas Lander** with some tips for outdoor eating*

During my first year as a restaurateur, I spent very little time in the kitchen. This was partly because I was aware of the limitations of my culinary knowledge and partly because there were more pressing problems – mainly financial – to occupy me.

Business was improving by the second year, however, and having failed miserably as a greeter, seater and waiter, I began to spend more time watching the chefs, especially Martin Lam, now chef/proprietor at Ransome's Dock in south-west London.

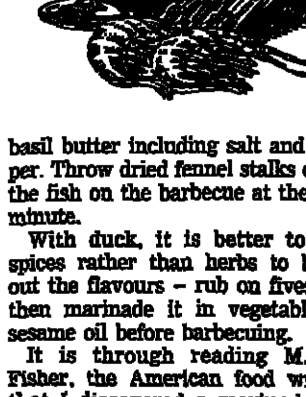
Lam was so confident of the culinary gulf that separated us that he knew I would not interfere with his work and he was glad of an extra pair of watchful eyes as his brigade grappled with the problems of feeding 200 in 90 minutes from a basement kitchen.

Later, to make myself useful during the lunch service, I worked as a grill chef, an area of the kitchen that does not require years of training in making sauces or stocks. There, I had a certain advantage because the cuts of meat and fillets of fish were prepared professionally for me. It became obvious quickly, though, that merely grilling meat or fish, however good the quality, will give neither the chef nor the customer much satisfaction.

Lam believes passionately in the flavour-enhancing qualities of herbs. A good handful of any fresh herb, mixed liberally with olive oil into a marinade, can transform the main ingredient of a dish and convince the customer that this is something for which he must come back.

Classic examples are fresh sage leaves with calf liver, rosemary with lamb, and thyme with everything from chicken to fish and red meat. Forget the lighter herbs, such as tarragon and chervil, but use plenty of marjoram and oregano with chicken and oily fish such as bass or mackerel.

Shred basil on to meat or fish *after* it has been grilled. If you are barbecuing tuna steaks, make a



basil butter including salt and pepper. Throw dried fennel stalks on to the fish on the barbecue at the last minute.

With duck, it is better to use spices rather than herbs to bring out the flavours – rub on fivespice then marinade it in vegetable or sesame oil before barbecuing.

It is through reading M.F.K. Fisher, the American food writer, that I discovered a marinade for beef that is as successful for roasts as for grills. Marinate the beef in olive oil and rich soy sauce for 48 hours. Half an hour before cooking wash off the marinade, pat dry, and let the meat rest before it is cooked.

In Australia, I learnt that with even the very freshest fish and seafood – possibly because it is so fresh – acidity is the key to the finest flavour.

Marinate squid, crayfish, prawns or octopus in plenty of lemon or lime juice, crushed garlic, olive oil, salt and pepper and serve with a tomato relish. Ensure that any drinks you serve to accompany the meal stay chilled.

In south-west France, I discovered what is, I believe, the finest medium for the barbecue. These are *souches* – ancient, gnarled vine roots available when vineyards are being replanted. They make wonderful, slow-burning firewood in winter and impart an extra layer of flavour to your barbecued food in summer.

For the barbecue chef, the cooking process, including preparation and lighting, can be quite long. I have found the following recipe for potatoes, roasted with olive oil, rosemary and garlic salt, useful as it can be cooked in the oven while you are at the grill. It comes from *The Classic Cuisine of the Italian Jews* by Edda Servi Machlin (Giro Press New York) and goes wonderfully with grilled chicken, steak or fish.

OVEN-COOKED POTATOES
serves 6-8

Recipe: 8 large baking potatoes; 2 teaspoons fresh rosemary; 2 teaspoons garlic salt; 4 tablespoons olive oil; black pepper.

Method: Peel the potatoes and cut lengthways into six pieces each. Place in a bowl and mix with rosemary leaves, garlic salt, oil and half a teaspoon black pepper, ensuring the potatoes are coated evenly.

Place in the oven at 450°F for 25 minutes and then lower the temperature to 350°F for 45-60 minutes.

TRAVEL

Cyprus: empires and civilisations slept here

***JDF Jones** rediscovers the charms of the island's Greek south and Turkish north but is left feeling a little sad and worried*

I have a problem with Cyprus. I used to go there a lot, before the Turkish invasion and after the Eoka business, when it was a lovely place. We would arrive from the dangerous complexities of Beirut or Jerusalem or Damascus – Cyprus used to be the transit stop for journalists covering the Middle East – and grab a couple of days on expenses, based at the late-lamented Ledra Palace Hotel in Nicosia and usually wandering down to Paphos or Kyrenia for a night. It was a modest, undemanding, friendly, beautiful, provincial island.

Then it was divided by the 1974 invasion.

Today, there is something worrying about the place. A bit sad, perhaps. Certainly there is something wrong in the north. As for the south, it has changed almost beyond recognition. I revisited both the Greek south and the Turkish-held north (on separate trips) and only slowly rediscovered the island's charms.

Newcomers may not understand this. The British are particularly keen on Cyprus once they have tried it: apparently no other holiday destination has so high a proportion of "return" bookings.

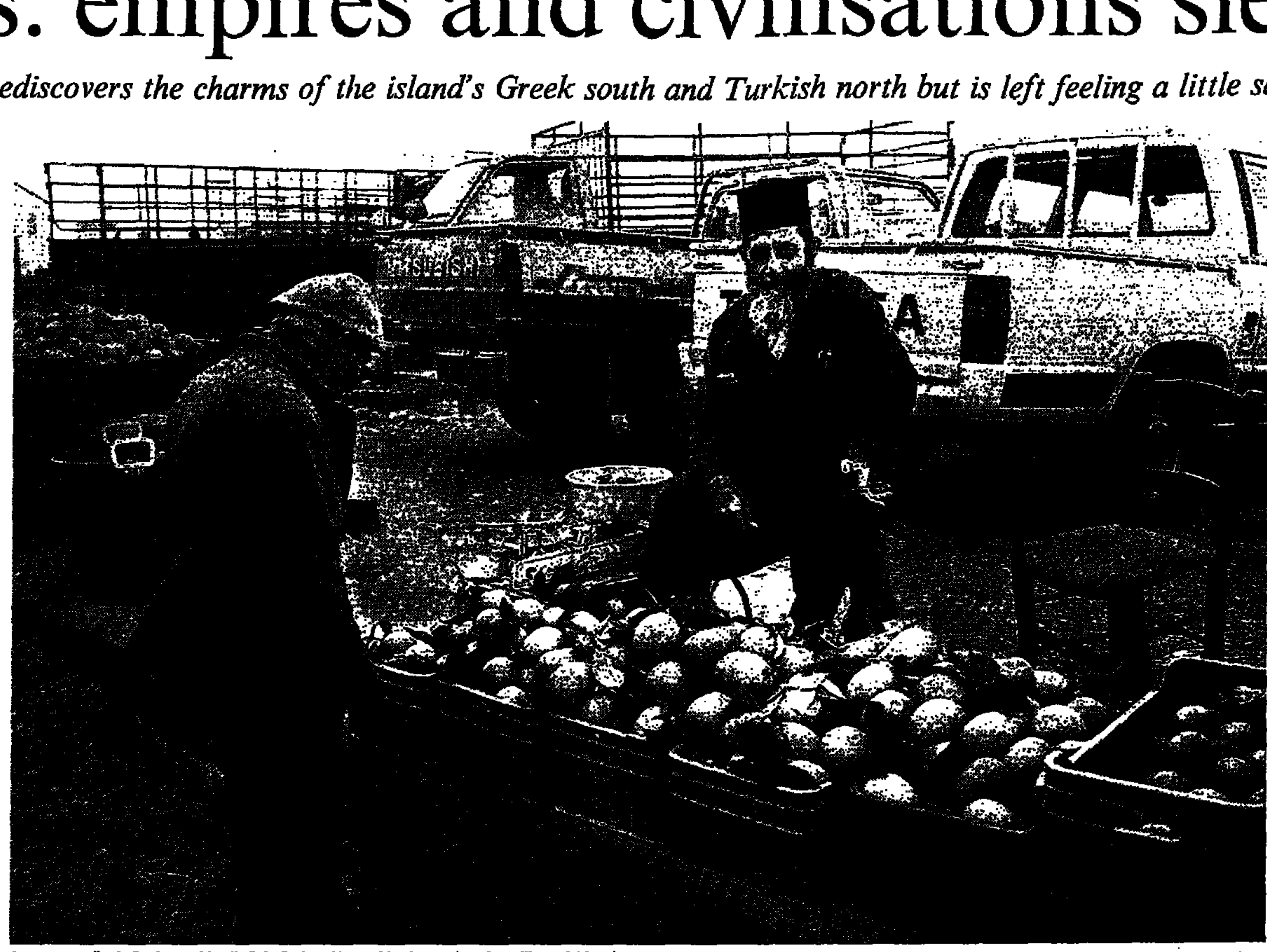
This is not surprising when you consider that this is the Mediterranean island best suited to the less bold, less confident holidaymaker – everyone is friendly and speaks English, you drive on the left, the food is recognisable and unpretentious, culture is available but not overwhelming, and of course the beaches are splendid, the landscape wonderful, the mountains purple on the horizon, and there are frequent flights from UK airports.

For a different sort of visitor, Cyprus has always stood at a crossroads between Europe, the Levant and Africa. Empires and civilisations have passed through Cyprus in unending procession, from Minoans and Mycenaeans to Crusaders and Lusignans, Venetians and Turks, and – yes – the British.

But at a more individual level it has also been a stopping-off point, a relaxing place to break a journey either before or after the rigours of Arabia or Egypt.

Sir Samuel Butler took a break in Cyprus on his way to explore the Nile, and found time to write a book about the island; Lawrence Durrell's memoir of the 1950s shows a stream of visitors, such as Freya Stark and Harry Luke and Rose Macaulay, all of them on their way to, or from, somewhere more serious. Everyone loved Cyprus for its quiet and undemanding obscurity.

Durrell's friends would stay with him in Bellapais and drive up to the Cyprus Museum in Nicosia. You can't do that any more. You have to choose whether to take your holiday in the south or in the north. They are very different places these days, although you will be looking at those same mountains on the horizon.



An orange-seller in Paphos: a friendly little fishing village which is now bursting with tourist hotels

Impact

□ □ □

To start with, the Turkish Republic of North Cyprus is recognised only by the Turkish government in Ankara. The single inconvenience this entails is that you cannot fly direct: you must break your journey on the mainland, if only for a nominal 45 minutes before taking off again (in the same aircraft) for Ercan. The larger snag is that the north is run-down, poor and much less sophisticated than the south, which lies across the UN-supervised frontline. Many roads are pot-holed, the villages are unkempt, hotels are (literally) dusty, and the churches have been desecrated.

The other side of the coin is that life is remarkably cheap, you can always find a room or a table, the food is much more interesting than in the south, and the locals are extremely pleased to see you.

Slowly, the expatriates have been returning to their villas in the sun. But there is very little sign that tourists are arriving in the numbers the economy needs, despite the fact that north Cyprus surely presents one of the few and best remaining chances to experience the unspoiled Mediterranean.

For example, immediately west of Kyrenia (sorry, Girne, as it is now called) there is a 10-mile stretch of coast which, anywhere else in the Med, would by now be a corniche lined solid with hotels, restaurants and swimming beaches.

The narrow coastal plain rises through orchards and olive groves and picture-book villages to the dramatic two-dimensional cut-out silhouette of the Kyrenia range. The sea is very good indeed; Turkey lies in the distance.

Yet today, starting from Asil Nadir's glossy Jasmine Court complex on the outskirts of Kyrenia, all you will find is a stutter of small groups of hotels and apartment houses, often half-finished in the Middle East style of sprouting spikes of reinforced concrete. Here and there you come to a "casino", or a lonely bar like "Rita on the Rocks", or a small German restaurant set in a garden of flowers.

Across on the north-east coast, it is a similar story. Famagusta and its tourist strip are still no-man's land. The Old Town of Famagusta is accessible but stagnant, dead, behind its medieval walls.

Ten miles to the north is the island's most important – and largely undug – archaeological site of ancient Salamis, scarcely disturbed by visitors. It is extremely large and stands on a beautiful but surprisingly empty bay which features half-a-dozen high-rise tourist hotels scattered a few miles apart along a good road and incongruously set in a wasteland of flat, drained marsh: rather spooky.

I stayed in the best-remembered of these hotels, the upmarket Park, and had to move out because the dust seemed to date from 1974. To the north-east, the Kyrenia range peters out into the Karpas "panhandle", where few people bother to venture any more and where the UN troops supply a handful of stranded Greek villages.

A mile inland from Salamis is a rare curiosity, one of the few unvandalised churches – the Monastery of the Apostle Barnabas, now restored and turned into an unimportant icon museum but with attractive cloisters which have become, thanks to sympathetic conversion, the best archaeological museum in the north.

It has the usual range of good-quality pre-classical stuff, Mycenaean, etc, but the stars of the show are a batch of Greek sculptures including Demeter with a poppy, a sphinx, and a superb double-lion. At the bottom of the garden is the alleged catacomb of St Barnabas himself, erstwhile companion of St Paul. The whole operation is presided over by a carob tree and friendly Turkish custodians. As so often in the Mediterranean, one suspects that the site pre-dates both Christianity and Islam.

The shadow on this beautiful northern landscape is cast by the visitor's suspicion that he is enjoying – or perhaps living in – occupied property: not the *territory* so much as the actual house or plot.

The subject of land ownership since 1974 is immensely complicated, and not to be discussed here. But walk through Bellapais, for instance – the most thriving of the tourist venues of the north, the hillside village immortalised by Lawrence Durrell in *Bitter Lemons* – and you find yourself wondering who owns, or owned, what.

Slowly, the expatriates have been returning to their villas in the sun

As the years go by and the reunification of the island refuses to grow closer, these matters will perhaps become *faits accomplis*. For the record, Bellapais is still beautiful, the abbey unchanged save for an in-house restaurant, the Tree of Idleness there still (or perhaps it is a descendant), and directly at the foot of the abbey cliff there is a new-ish hotel set in handsome gardens.

To the sentimental and nostalgic visitor, Kyrenia looks just the same. It was always a lovely, seductive place, and the old harbour is as photogenic and pretty as ever, lined entirely with fish restaurants and open-air tables and pleasure craft, the coloured lights at sunset falling down into the bay like Christmas decorations. The castle still stands at one end, the Dome Hotel at the other.

The Dome is one of the famous hotels of the Levant: it pushes its luck for four stars – it is pretty tatty by the standards of the 1990s – but it has character and remains the focal point of the little town, standing there on the edge of the bay, extending these days into a sea-water swimming pool built out into the rocks. A good spot for a brandy sour, that national drink of Cyprus north as well as south.

□ □ □

Once upon a time we used to drive back – south – up the hill, past the turn-off to St Hilarion Castle, through the bends where the UN ran convoys, up and over the top and, suddenly, we would be looking down on the sun-parched plain and the roofs of Nicosia in the distance. These days Nicosia needs a separate trip, another flight.

I always think that Cyprus is *culturally* a part of Greece rather in the way that Sicily is *culturally* a part of Italy: the two islands are different from the mainland nation but are a part of the Greek-Italian experience. South of the UN line, you immediately realise you have returned to Byzantium, however cosmopolitan and English-speaking the place has become.

The south has none of the emptiness, the sense of undusted rooms, of the north. On the contrary. Paphos, which used to be a friendly little fishing village with a lovely archaeological site, is stacked and bursting with a hundred tourist hotels; Nicosia for me has lost much of its special character; the south coast, where Aphrodite was born out of the waves – and if you visit her flower-like rock and are in the right frame of mind, you can believe it – is lined with "Real Estate For Sale" signs. You will find "Aphrodite's Car Hire" and "Aphrodite's Snacks" and "Aphrodite's Gymnasium" and so on, just as in Crete the name of Minos favours every take-away shack.

Other things have not changed. This is still a corner of a foreign field for Britain's ministry of defence, notwithstanding the presence in Nicosia of a "Museum for the National Struggle": the Akrotiri sovereign base still boasts green-grass playing fields, RAF radio masts, reassuring signposts to squash courts and regimental chapels and the "Devonshire" and "Kensington" and "Londonderry" lines.

Much more interesting and important, the island still has its orange trees and vineyards, its broom and anemones and wild irises. The Temple of Apollo, not far from Paphos, is still one of the Mediterranean's most attractive sites, looking out over the sea, and now it has been particularly well laid out in extensive gardens, thanks to the Leventis Foundation.

The mosaics at Paphos are unspoiled and special, as are the catacombs outside the town, and the Cypriots are friendlier than ever, and all speak English. (Another distinction from the mainland is that Cyprus does not go in for retsina.) And the big museum in Nicosia is still one of the highlights, and surprises, of the Mediterranean.

Best of all, the Troodos mountains are still wonderful, all the more so because they offer escape from the concrete coast. I suppose it was the mountains that dissuaded me from an old hand's crotchety nostalgia. The Ledra Palace may have gone, the UN may have settled in for ever, the divided families will be for ever divided, their homes are not going to be recovered, on either side, but Cyprus is still beautiful and the environmentalists are fighting back against the developers and despoilers.

My single recommendation is to take a Land Rover trip up into the mountains and your perspective on Cyprus will be quickly corrected. Then take the same Land Rover out to the Akamas peninsula in the far west, and join the debate about whether it should be "developed" like the rest of the south.

■ *Any travel agent can advise on a host of packages and flights to the south. Holidays in the north can be extremely cheap and are best arranged through agents who specialise in the area, such as Metak Travel (70 Welbeck Street, London W1M 7HA; 071-224 4303) or any of the large number of Turkish operations in London's Stoke Newington, best visited in person if you live in London.*

The season is very long – mid-March into November – but it can be extremely hot in high summer.

The Rough Guide *for Cyprus is probably the most useful and comprehensive guidebook, covering both parts of the island.*

A welcome for golfers

It would be nice to report that Ernie Els, South Africa's latest golfing hero, learnt his golf at some historic course such as Durban Country Club or Royal Johannesburg.

Alas, the truth is more mundane. Els – tall, blond and languid – learnt his trade at Kempton Park, the unprepossessing home to Jan Smuts airport and the World Trade Centre, the site of South Africa's historic constitutional negotiations.

It is a relief all round that it is now both possible and legitimate to worry more about Ernie Els's fortunes than the state of constitutional talks.

It can only be a matter of time before golfers start visiting the country in large numbers. The climate is ideal for playing golf and there are many fine courses.

Equally important, there is an ever-growing array of independent country hotels offering high-quality service.

A recent trip took me to some of South Africa's finer coastal golf courses. First stop was Selborne, a tight setting in the rolling Natal sugarlands, 40 minutes south of Durban.

The course rewards cunning rather than brawn, and the wayward golfer will soon be defeated by bush and water, which features on 15 of the 18 holes. Overlooking the Indian ocean, Selborne Country Lodge, the Tudor-style guesthouse attached to the lodge, provides a comfortable and friendly base.

Resident professional is Trevor Wilkes, veteran of the professional circuit, repository of much golfing wisdom, and one-time runner-up to Gary Player in the South African Open.

Next stop was Fancourt, a grander establishment in George, a beautiful, mountainous part of the southern Cape. It is the leading South African lay-out, most reminiscent of US courses: perfectly manicured, with greens fast and true. The practice facilities are probably without equal in South Africa. The course is a regular tournament venue.

The hotel facilities are run to five-star standards by Orient-Express Hotels, which manages some of the world's top hotel properties, including the Mount Nelson in Cape Town, rated South Africa's finest.

From George, I travelled to Cape Town and stayed in the charming Constantia Uitsig guest house on a wine-farm overlooking False Bay. Guests stay in small, converted Cape Dutch cottages, and there is a popular restaurant on site.

There are at least half-a-dozen good courses within easy reach. The two I played were Clovelly and Milnerton. Clovelly is a tight, undulating course, slightly inland but still susceptible to the wind like all Cape courses. Milnerton is in a more challenging, links-style setting, situated on the shores of Table Bay.

My final port of call was the Grand Roche hotel in Paarl, an ultra-luxurious establishment in the heart of the winelands. The hotel is home to Bosmans restaurant – reckoned by some to be South Africa's finest. The focus of the development is a beautiful Cape Dutch building overlooking Paarl.

Grand Roche served as a base for playing two nearby parkland courses, Paarl and Stellenbosch. Both are pleasant, the latter in better condition and site of tournament golf in recent years.

There are many fine courses besides the ones I visited. Most of the large cities have a number of courses, with Durban Country Club usually voted the best in the country.

Best known is Sun City, venue for the annual Million Dollar classic, and a very challenging lay-out. It now has a twin course – Lost City – replete with grand architectural features and a water-hole that is home to dozens of crocodiles. No golfer should resist the challenge of these courses and try, if you can, tostay in the Palace hotel.

For those wanting to mix game-watching and golf, the Hans Merekensky course in the mining town of Phalaborwa should not be missed. Not only is it close to Kruger national park, the main public wildlife park, and luxury private lodges, but there is a good chance of sharing the fairways with baboons and wart hogs.

Zimbabwe also provides visitors with a regional dimension. Newly-developed is the Leopard Rock course in the Eastern Highlands, and Elephant Hills near Victoria Falls. In addition, there are established courses, such as Royal Harare.

■ *Philip Gawith's visit was organised by Into Africa – tel: 27-21-242220, fax: 27-21-242221, PO Box 16336, Vlaeberg, 8018, South Africa.*

Philip Gawith

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مكتبة الأهرام

BOOKS

Pride and the fall of Prussia

Prussia and England have always seemed to me to have a great deal in common. One chooses the words carefully: Prussia, not Germany; and England, not Britain. Both have a desire for order and a love of institutions. Both have been proud of their military. The term *inneres Preussentum*, used in this book by Giles MacDonogh, might be loosely translated into English not as "inner Prussianness", but as "stiff upper lip".

The two places, too, have had more than their share of eccentrics: mad professors and scientists, liberals as well as conservatives. Perhaps above all they were both colonising powers, not content to stay in their own domain. Both could claim to have had a civilising influence.

The great difference between them was that Prussia was a land power and England, as part of an island, was a sea power. For a time this did not matter: they could go their separate ways. Yet, as Bismarck noted, one of the seminal events in modern history was that it was the English who initially colonised what became the United States. English was on the way to becoming the international language, and a great alliance was born.

Twice this century the alliance stopped Germany in its tracks. But it was worth noting that it was Germany that was stopped, not Prussia. For by 1870 Prussia had become part of a wider German state. It may have suited the allies to say that the new Germany was typically Prussian, meaning "militaristic", yet Prussia had other virtues as MacDonogh seeks to show, and most of the worst German crimes under the third reich were not committed by Prussians. He produces a curious statistic suggesting that of the 500 highest ranking Nazi officials, the Prussians made up only 17, or 3.4 per cent.

PRUSSIA: THE PERVERSION OF AN IDEA
by Giles MacDonogh
Sinclair-Stevenson £20, 456 pages

In fact, the Prussians were twice put down themselves, the first time by Napoleon and then by Hitler. When Napoleon defeated them in battle, the Treaty of Tilsit in 1807 imposed terms quite as harsh and impossible to meet as those imposed by the allies on Germany after the first world war. But Prussia gradually recovered.

It did so partly through education and partly through developing its military tradition. The two went together: a good soldier needs to be educated. There was a tendency among the military to dismiss the parliament as the *Idiotenhaus* (house of idiots), but Prussia was not on the whole illiberal. Like England it encouraged élites. The chief of these was the general staff. Built up by Moltke, this was like a school in itself, wearing its own uniform. The French were nothing like as organised.

In 1870 the Prussians took their revenge. Taking the long view, however, the unification of Germany that resulted from the Franco-Prussian war was not the triumph of Prussia. Some Prussians would have preferred to have gone it alone. Instead Prussia gradually became submerged in Germany.

True, the old traditions lingered on. The Prussians were prominent under Kaiser Wilhelm, but the old Prussian state was not much loved (or perhaps too much feared) by Hitler. Nazism bloomed late there. In 1928 the party had only six members in the regional parliament. Thus Hitler began his assault. By 1934 the separate Prussian institutions were abolished in the interest of a "non-federal Germany".

MacDonogh's book contains a nice quote from Hermann Göring, who was left in charge of the police: "I've certainly mucked things up. How could I strengthen Prussia's position when Hitler wants to do the very same to the *Reich*?" So Prussia fell ultimately not to the French, but to the Germans.

There was one other great problem over the centuries. It could not easily co-exist with Poland. In the end there *had* to be one country or the other. It seems that Poland has finally won, but no-one should think the Prussians were all demons and the Poles all saints.

MacDonogh's book is not the easiest to read. He shows an almost total lack of interest in economic development (which surely must have something to do with the rise of Germany) and some of the names are obscurely introduced. But if anyone really did think that Prussia was simply a war machine, here is a useful corrective.

Malcolm Rutherford

'Sex for text' contracts

*Did Brecht's lovers write his plays? **Jackie Wullschlager** investigates*

When Maxim Gorky toured one of the first Soviet concentration camps in the 1920s, the guards spruced up the camp, put flowers on the tables and, to suggest a regime of intellectual freedom, added the latest newspapers. The prisoners, too frightened to protest openly, decided to hold their newspapers upside down as a kind of international distress signal. But Gorky marched past unaware and wrote a glowing report of the camp. Almost all the prisoners later died there.

This anecdote introduces the sensational argument which lies at the core of John Fuegi's new biography of Brecht. According to Fuegi, not Brecht but three actresses who were his lovers, wrote most of the works – *The Threepenny Opera*, *Mother Courage*, *Galileo* – on which Brecht's reputation stands. Ignored and reviled, they spent a lifetime in silent protest, metaphorically reading their newspapers upside down.

By contrast, Brecht, like his murderer-hero Mac the Knife, intoxicated millions with his charisma and sexy lyrics while pursuing a career as thief, woman-hater and political chameleon.

Is Brecht the latest victim of the politically-correct school of biography, or are these serious allegations which should change our view of the Brecht oeuvre? Either way, this book is compelling. First, its focus on the precise moments of creation of Brecht plays, of who said or wrote what when, illuminates those key movements in the revolution in 20th century theatre which were Brecht's great achievement.

Second, its multiple biographies of the so-called "real" authors of Brecht plays give a vivid backcloth to the society and culture from which Brecht came.

Third, it is a provocative detective story set, like the best of Le Carré, in the shadow of the Nazis and the Cold War.

Brecht became famous at 30 when *The Threepenny Opera* opened in 1928; with its ragtime beat, biting anti-capitalism and cast of crooks and tarts, it remains the signature tune for 1920s Berlin.

Fuegi shows that a week before the first night, the work was half written and the leading lady, certain it would flop, had signed to appear elsewhere. There was some ugly exploitation – Brecht's besotted lover, Elizabeth Hauptmann, wrote-in a "sex for text" contract, which Brecht later repeated with other women; when he married, Hauptmann attempted suicide. But mostly the piece was just thrown together, as happens in the theatre, by Brecht, Weill, Lotte Lenya and others, in a last-minute rush.

THE LIFE AND LIES OF BERTOLT BRECHT
by John Fuegi
HarperCollins £25, 732 pages

Lenya, who had been a teenage prostitute, gave life to the tarts' songs. Hauptmann was behind the fantasy of female revenge in Pirate Jenny. Brecht took inspiration for "The Cannon Song" from his own homosexual lover and from Kipling's "Barrack Room Ballads". When Harold Paulsen, Berlin's crowd-pulling operetta star, spent all the budget on a ludicrously-slick suit and spats for the criminal Mac, and threatened to give up the part rather than the costume, Brecht was forced to write an introductory ballad describing his crimes – thus, "Mac the Knife", the most popular song in the show.

Fuegi rightly points out that it is the disparate elements, especially the contrast between the male and female dreams – mashing soldiers to beefsteak *tartare* versus love in a shack by moonlight – that raises *The Threepenny Opera* to mythic level.

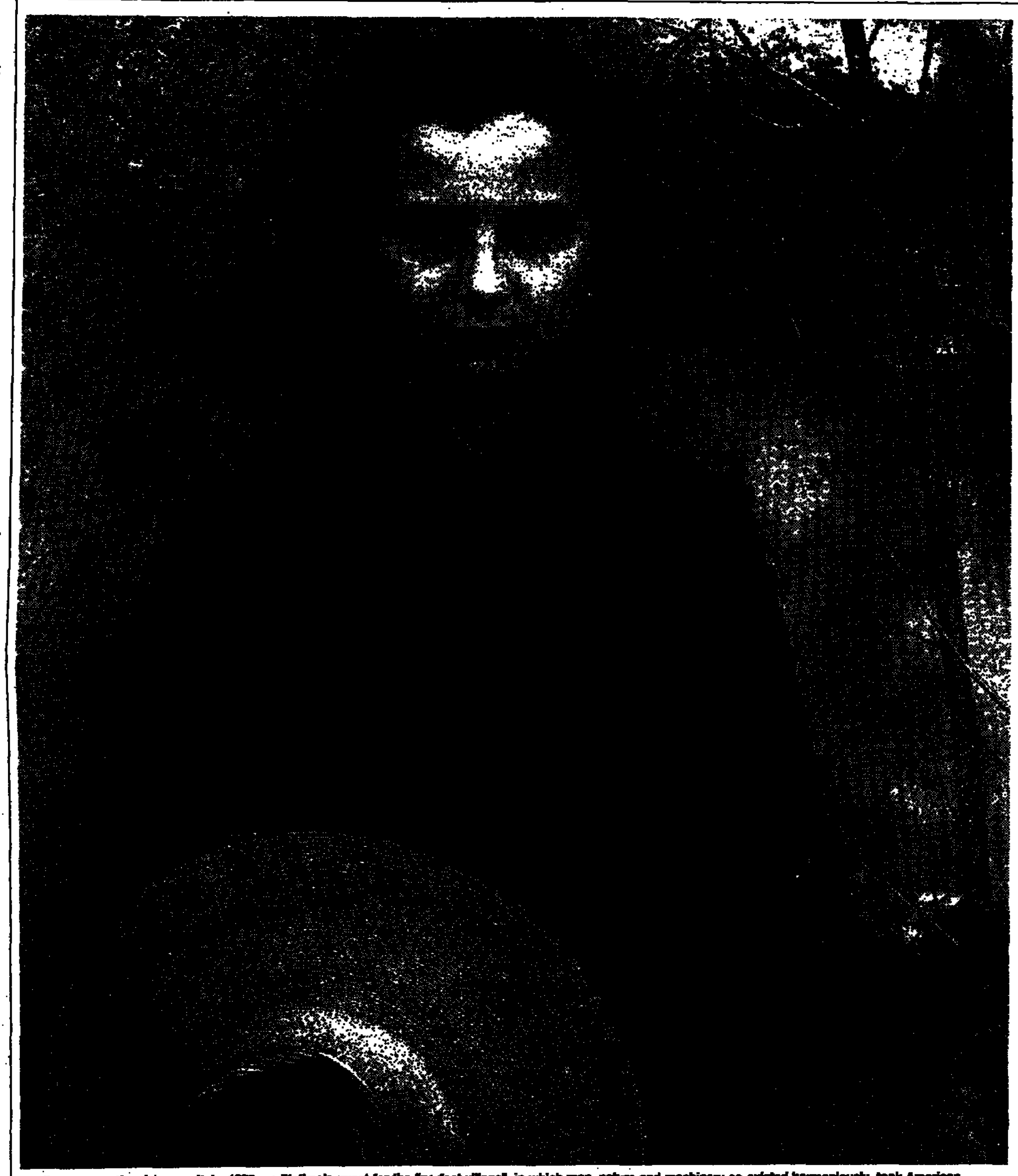
He also offers evidence that two subsequent lovers – Grete Steffin, the communist girl from the Berlin slums whom Brecht abandoned to die in Russia, and Ruth Berlau, a Danish bourgeois revolutionary – provided some material for the strong female roles in later pieces, such as *Mother Courage*. But to accuse Brecht of plagiarising them is as absurd as suggesting Norah Joyce to be the author of *Ulysses* because Joyce "listened at the door of her heart" to create the language for Molly Bloom.

As muses, Steffin and Berlau are significant; Fuegi's problem is that he does not care about his subject's psyche or inspiration but only about attributing blame. He calls Brecht a political turncoat for flirting with right and left, with America and Russia, before settling in East Germany while keeping his Swiss bank account. But Brecht was the quintessential non-conforming artist who ended up in East Berlin because the GDR offered him a theatre when neither West Germany nor America would let him within their borders.

And, of course, he kept his bourgeois habits while satirising them on stage – his plays are rooted in his love-hate affair with the German bourgeoisie. In Berlin, he juggled six girlfriends but would live only with the family maid he had imported from Augsburg. Nevertheless, he found a tailor to equip each lover with the white Mother Hubbard nightgowns his prim mother had worn in Bavaria – and negotiated a discount for the bulk orders.

It seems perverse to write about Brecht, the socialist icon, if your only interest is in his feet of clay. When Brecht visited Russia with Steffin in 1935, he turned down an invitation to stay because, *he said*, he could not find enough sugar for his coffee. Does that mean he was an unprincipled spoilt brat or that he cleverly hit on a metaphor for the lack of sweetness in the political regime which would not offend his communist colleagues?

An in-depth study of Brecht must paint both aspects of the man: this book is spirited and engaging but hopelessly lop-sided.



A tailor's apprentice, Luzzara, Italy, 1953 – a lifetime's quest for the "perfect village", in which man, nature and machinery co-existed harmoniously, took American photographer Paul Strand on a quarter-century journey through Romania, Egypt, France, Italy, the Hebrides, Ghana and Morocco. In "Paul Strand: The World on My Doorstep 1950-1976" (Robert Hale £25.99, 142 pages), 88 images convey a timeless sense of community and show a master photographer at the peak of his powers.

Crime/J.D.F. Jones

Jury stays out on women detectives

Is it time to blow the whistle on the female private eye? Everyone has been trying it and the books are not getting any better. There may be a message in the TV moguls' recent decision to abandon the *Anna Lee* series based on Liza Cody's tame and miniskirted English investigator.

A decade ago, Sarah Paretsky's creation of V.I. Warshawski summoned premature and inaccurate comparisons with Runyon, even Chandler: the new genre was evidently a part of the feminist agenda, and why not. The men fought back – Leonard, Parker, Block, Hiaasen and the rest – and they did so by seeking out new angles, new relevances, in their traditional male preserve.

Let the jury stay out for a few more years, but let us not abandon standards. Paretsky's latest, *Tunnel Vision*, is a near-disaster. It is far too long, it takes 100 pages to get going, the prose is flat to the point of drab, utterly inadequate to cope with any drama, and the dialogue is *perfunctory. Much worse, her* famous protagonist, Warshawski, is getting to be a bore as she keeps on about her 40th birthday.

"V.I.", the tough Polish-Irish ex-cop in Chicago, is still the radical, liberated, bolshie, private investigator who caused such an impact eight books ago. Trouble is, she hasn't changed. She is as bossy as ever, she goes on and on about her clothes and her cooking and her exercises, she worries about Chicago's homeless families and abused children and battered women and, not so surprisingly you might agree, she begins to fall out with her black cop boyfriend.

She discovers big fraud and laundered money in Chicago's high society. Then she plunges, literally, into the underworld of the city's flood tunnels in a long, slow, procedural P.I. drama in which she takes an unbelievable amount of physical punishment.

At least she vomits when she finds her friend's head mashed into her personal computer – and, typically, Paretsky's pedestrian prose can make nothing of the scene. This *is a successful author on auto-pilot.* Since the comparisons have been made, it is necessary to say that Paretsky on present form has *nothing* of the magic of the early masters of the trade.

Carol O'Connoll is apparently the big discovery of the season, with a million dollars for her first novel, *Mallory's Oracle*. The gimmick – all these books have to have one – is that the woman heroine-cop, Sergeant Kathy Mallory, adopted daughter of a New York police officer, is a computer whizzkid with the soul of a thief. Mallory is shown to be a deeply damaged human being. It would be interesting to see how she might emerge from her traumas in the course of her pursuit of the serial killer who is responsible for her foster father's murder.

If this is the central theme, it is evaded because Ms O'Connell has so much else to explain to us – lots of computer expertise, false leads and old-fashioned research to do with elderly New York ladies who go to séances. The dialogue is good; the rest of the prose is overwritten, without the necessary pauses or periods of quietness: the *interesting* creation – Kathy – is allowed to drift out of focus in the welter of surrounding detail. Ms O'Connell needs a tough editor.

Back to Britain, and cosy Norfolk, with another débutante, Michelle Spring's "Laura Principal", in *Every Breath You Take*. This is a spin-off from the ancient English tradition of carefully-penned dramas of varsity-dons-as-sleuths. Who kills Monica, the art lecturer who joins Laura and Helen in their *Country Life* cottage? Why is the Provost such a shit? Will Laura Principal survive to tell the tale? And do we care? The prose is a genteel beta-plus, the plot an unadventurous and very English beta-minus.

All these books emphasise the "psychological" angle – Chandler would have choked on his martini – perhaps because this seems to offer a more appropriate, or more credible, area of feminine wisdom. Or perhaps it is more realistic, and interesting, than women performing physical violence on villains who are usually male. Note too that all the women protagonists in this batch are into middle age.

Gillian Slovo's *Catnap* is the most interested of the four in developing this psychological angle. Her Kate Baier is yet another woman private detective, though recently a foreign correspondent, operating in London's Dalston of all places (talk about "down those mean streets – "!). The plot, a slow and not-at-all exciting drama about the looting of pension funds, is more concerned with Kate's need to come to terms with the death of her lover five years before. It is obsessive, worthy, under-powered, and it lingers in the memory. She, like the others, needs to write with more pizazz if we are to look forward to her next.

TUNNEL VISION
by Sarah Paretsky
Hamish Hamilton £14.99, 483 pages

MALLORY'S ORACLE
by Carol O'Connell
Hutchinson £14.99, 282 pages

EVERY BREATH YOU TAKE
by Michelle Spring
Orion £14.99, 210 pages

CATNAP
by Gillian Slovo
Michael Joseph £9.99, 277 pages

Imogen Stubbs as Anna Lee

Fiction/Meera Syal

Tales from Bollywood

These absorbing novels are proof of the imaginative vigour with which Indian novelists are exploring their infinitely varied country. Shashi Tharoor's *Show Business* is an exuberant expose of India's film industry depicted through the rise and fall of Ashok Banjara, superstar and hero of formulaic song and dance "masala movies".

"Bollywood", as the biggest film industry in the world is affectionately known, has always been ripe for parody. Although it has spawned hundreds of artistically thrilling films, these are overshadowed by the mass produced crowd-pleasers, featuring virginal heroines, (doe-eyed bosomy girls adept at the *come-hither-but-don't-touch* smouldering glance), karate kicking heroes (usually poor noble boys separated at birth from rich but obviously careless families), moustache twirling villains (whose only words of English are "Bloody Fool!" and "Bloody Bastard!"). The accompanying songs feature lyrics which would make a Song For Europe sound complex.

All these stock characters appear in *Showbusiness* as planets orbiting around Ashok's sun. As we follow his rise from budding hopeful, whose father's political connections get him his first minor role, to fully fledged superstar with the obligatory leading actress-cum-mistress in tow, these supporting players continually interrupt Ashok's telling of his own fantastic story. Then something rather strange and wonderful begins to happen: the supporting players begin to outgrow their roles and challenge our hero's perceptions of himself, and of them.

Tharoor cleverly interweaves first person narrative with hilarious reconstructions of the films and it soon becomes clear that not only are these people more complex than their apparent roles (for example, the leading film villain is the most decent man in the book), but that all of them harbour painful secrets which reveal Ashok to be a sham.

Tharoor pulls focus constantly like a mischievous camera man, all the while drawing parallels between this unique film culture and India herself. Are these movies opiates for the masses, radical tracts which encourage the dreamer to act, or as Tool, the guru, declares, *perfect* examples of the Hindu notion of time, that is: "endlessly repeated variations on a few basic themes...?"

Rama Mehta's *Inside The Haveli* is a reflective novel in which a newly-wed bride, Geeta, educated and outgoing, arrives at her husband's ancient family home, the haveli, and finds she is suddenly in purdah and forced to live within the traditional confines of a 500-year-old joint family system. Women must always be veiled and are not allowed to cross the courtyard into the men's separate quarters.

Mehta's sensitive attention to detail pulls the reader in, reluctantly at first maybe, until you realise with a shock that you are undergoing the very process of adaptation which underlines the protagonist's journey. Geeta is an outsider, the first wife not to have come from another haveli, Bombay-educated, and therefore already marked by the other women as a possible rebel who could undermine a way of life they have upheld for generations. And the reader rebels with her at first, chafing at the apparent banality of the servants' chatter and the rigid formality of Geeta's interaction with her family, every liberal tendency yearning for her escape. But as Mehta gradually creates a world which invests the smallest detail with great emotional resonance, the nameless servants become rich and rounded characters, and Geeta's in-laws change from rigid icons into dignified, proud people whose traditions seem to offer protection and continuation rather than subjugation.

SHOW BUSINESS
by Shashi Tharoor
Picador £15.99, 304 pages

INSIDE THE HAVELI
by Rama Mehta
Women's Press £7.99, 208 pages

By the time the two babies born at the beginning of the book have become young women Geeta, like us, is not so sure that she wants to escape. Mehta brings immense understanding to a way of life that we realise by the end of the book is rapidly vanishing and her deceptively simple prose is invested with such tenderness that the reader's initial knee-jerk reaction against the haveli is replaced with something approaching admiration.

The novel is a poignant illustration of the complex struggle between progress and continuity and of its painful cost in human terms. Rama Mehta herself was the first woman to be appointed to India's foreign service, and was forced to resign upon marriage.

Individually, these two novels trumpet talent; together, they are a startling reminder of how progressive chic and urban corruption exist side by side with unquestioned traditions, and how chasms separate the lives of those individuals who share the label Indian.

■ *Meera Syal is a screenwriter and actress.*

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FT Surveys

ARTS

The innovative spirit of Salzburg

Will Gérard Mortier's reforms get the festival governors' seal of approval? Andrew Clark reports

By the middle of next week, Gérard Mortier should know whether he has won or lost his campaign to reform the Salzburg Festival. The festival's board of governors, dominated by public funding bodies, will decide on Tuesday whether there is enough money to cover Mortier's plans for next summer. If he is forced to reduce his programme of 20th century music, Mortier will probably leave when his contract as artistic director comes up for renewal in 1997. If his plans are approved, he will know that the revolution he led at Europe's premier festival is here to stay.

The decision hangs on a knife-edge. Although Austria has suffered less from recession than neighbouring Germany, cultural subsidies have come under pressure as politicians adopt a hard-nosed approach ahead of national elections in the autumn. Mortier's reforms have not come cheap: this year's Sch505m (£30m) budget is nearly 25 per cent higher than in 1990. But self-generated income has climbed proportionately, and Mortier has always argued that a revitalised festival would serve Salzburg better in the long-term.

The irony of the situation is that this summer's festival, now at half-way point, is one of the most successful ever. Despite a 20 per cent rise in seat prices, many more people are buying tickets for modern works than could have been predicted when Mortier arrived three years ago. The atmosphere is livelier, more contemporary, less formal than it used to be. Salzburg has regained the innovative spirit with which Max Reinhardt, Hugo von Hofmannsthal and Richard Strauss launched the festival in the 1920s.

When Mortier's appointment was announced in 1989, Salzburg was still recovering from the death of Herbert von Karajan. Under his tutelage, the festival had become money-oriented, conservative and stagnant. Mortier's arrival was like an explosion. He publicly criticised Salzburg's business community, the record industry, the Vienna Philharmonic and major artists, accusing them of milking the festival to line their own pockets. He said he wanted a new public, more adventurous programming. Salzburgers raised their arms in horror, fearing the Belgian incomer would chase away their rich clientele.

The dust has finally begun to settle. Mortier is less outspoken, more prepared to let his programme do the talking. "People are starting to trust him now," says Elke Polzer, owner of Salzburg's busiest ticket agency. "They see there are just as many visitors as before. Any new intendant would have found it hard to follow Karajan, but Mortier had it particularly tough because he was so direct and provocative. Austrians prefer to speak in roundabout ways."

Behind the polemics, Mortier has kept much that is traditional. This summer's operas include *Don Giovanni* and *Boris Godunov*: the most expensive seats, priced Sch3,900 (£230), sold out when booking opened in January. *Der Rosenkavalier* and *La traviata* follow next year – even though Mortier believes repertory works are not a festival priority. He has kept Mozart performances in the 2000-seat Grosses Festspielhaus, knowing they would be better suited to smaller halls. The recital programme, headed by Jessye Norman and Anne Sophie Mutter, is as glamorous as ever.

The Summer Festival's revolutionary artistic director, Gérard Mortier

Mortier's most popular move has been to upgrade the drama programme, increasing the festival's appeal to its native German-speaking constituency. Drama now accounts for a quarter of seats sold, three times more than in the Karajan era. Peter Stein's production of *Antony and Cleopatra*, with Edith Clever as a middle-aged but charismatic Egyptian queen, has been one of this summer's biggest box-office draws, despite a battering from the press. Pirandello's *The Mountain Giants*, directed by Luca Ronconi, was both a popular and critical success.

But the main battleground continues to be 20th century music. Here again, Mortier has been remarkably adept at creating a new audience. Some visitors have discovered they can only buy a ticket for *Don Giovanni* as part of a subscription including less popular works like *The Rake's Progress*; many ended up enjoying the lively Stravinsky staging more than the Mozart.

Mortier has also introduced a youth subscription scheme, subsidised by Nestlé and Asea Brown Boveri, which enables anyone under 30 to hear Boulez, Stockhausen or Birtwistle at a fraction of the advertised price.

Mortier plans a new production of *Lulu* next summer and *Moses und Aron* in 1996. But these will be the first to disappear if money is tight. That is why he needs the whole-hearted endorsement of his paymasters if he is to stay beyond 1997. "He's proved that this repertoire is not a problem for the public," says a close Mortier associate. "The problem is political. He will not accept a situation where he is forced systematically to cut modern music and keep *Rosenkavalier*. He needs to be able to take risks, to plan adventurously. Otherwise the festival will be back where it was – little more than a commercially successful tourist event."

There are other unresolved problems. While Mortier has the support of most artists (and has patched up his differences with Riccardo Muti), he has reached only a temporary truce with the Vienna Philharmonic. The orchestra has signed an agreement putting a ceiling on its fees for the next three years, and guaranteeing stability of personnel from rehearsal to performance.

But it remains extremely expensive, and Mortier has had no difficulty finding acceptable alternatives. Nikolaus Harnoncourt's cycle of Beethoven symphonies this summer, for example, was given by the Chamber Orchestra of Europe whose virtuoso vitality put their Viennese colleagues in the shade.

Although the Philharmonic has the powerful Viennese press on its side, it is running short of bargaining chips. A Shostakovich programme two weeks ago showed how ill-equipped it was to tackle 20th century music without lengthy rehearsals. As resident orchestra at the Vienna State Opera during the winter season, its players look forward to spending the summer in Salzburg, and many have bought holiday houses there. A boycott of the festival would upset their life-style.

Mortier's other *bête noir* is Claudio Abbado, artistic director of the Easter Festival. The two seem unable to communicate or coordinate their plans. There has been speculation that if Mortier resigns, the quiet-spoken, politically astute Abbado would be first choice to take his place. That would reunite Easter and Summer festivals under one all-powerful conductor. It would restore the old axis between Salzburg and Berlin, where Abbado is chief conductor of the Berlin Philharmonic. And – without ditching all of Mortier's innovations – it would give Salzburg the chance to crown a new king in the Karajan mould.

Living in memories: Catherine Byrne in the title role of the play, which is directed by the playwright

A blind case of self-parody

Alastair Macaulay reviews Brian Friel's new play 'Molly Sweeney' in Dublin

If *Tale of Two Cities* were a new play by Brian Friel, this is how it would begin:

"I remember Ballybeg. It was the best of times, oh yes, the best. Oh hadn't we the gaiety at Phil the Fluter's ball, hadn't we just – and what gaiety. Joy, such joy. I remember dancing – dancing with no sense of time, no sense of place, just dancing, liberated in the moment – and I remember thinking we could never stop. And then I thought Phil was somehow less happy than he was allowing us to see. Because, though it was the best of times, the best, it was also the worst. Certainly for Phil, the worst. I remember saying 'You were never lovelier' to him, and he said to me 'Your sense of reality is a sense only of external reality.' Anyhow, anyhow…

I crib most of this parody from Friel's *Molly Sweeney*. Why? Because this new play – which opened in Dublin's Gate Theatre on Tuesday – is mere self-parody. Granted, the beloved author of *Dancing at Lughnasa*, *Translations*, *Philadelphia, Here We Come!*, and others, has turned to new subject-matter here. In *Molly Sweeney* he gives us the case-study of a contentedly blind married woman. When an operation partially restores her sight, she cannot cope with her new plenitude of sensation. She withdraws both from seeing and from consciously acknowledging the world around her.

Questions of inner v. external vision, specifically attached to Bishop Berkeley's 1709 *Essay Towards a New Theory of Vision*, are raised. So what does Friel do with all this new stuff? He trots out all his corniest old tricks.

You may recall that one New York critic, unjustly but memorably, dubbed *Dancing at Lughnasa* "the memory play from hell". Well, in *Molly Sweeney* Friel has plunged many circles lower into the memory-play inferno.

For its first two hours and a half, all its three characters do is remember. Molly, her ophthalmic surgeon Mr Rice, and her husband Frank tell us their memories; and they digress plenty too. (Anyhow…) They never converse with each other. Then, in the final five minutes, Molly switches into the present tense. At last! But then you realise that her continuous "present" is an inner world compiled from – guess what? – memories, memories we have already heard.

It is astounding how sluggishly, and with what bathetic repetitions, *Molly Sweeney* tells its tale. Its essential dilemma – a heroine confronted with an uncomfortable new take on reality – is the same as addressed by Harold Pinter with far more bite in his brief playlet *A Kind of Alaska*.

Friel adds a woolly sub-feminist filter; he shows us that Molly's doctor and husband, less utterly interested in her than she supposes, are preoccupied by other aspects of their own lives. All three characters were always stuck in their own private worlds, you see, and Molly, retreating into memory, is actually less selfish than the men.

I hope it is only by accident that *Molly Sweeney* in several features resembles another Pinter play *Landscape* – which was revived with such distinction in this very theatre in May. Here too the heroine speaks of light and shade, of the shadow of a window, and of the direction from which light is coming; here too her sensuous interest in the world is contrasted with petty male power-games; here too she retreats into memory; here too nothing happens except in the past.

Accident or not, Friel has stripped his play of drama (whereas Pinter's plotlessness intensifies his drama). Other Friel plays have have created stage events that haunt the beholder long afterwards, such as the great ceilidh in *Dancing at Lughnasa* in which the sisters release their primitive impulses, or the dialogue between English soldier and Irish girl in *Translations*, speaking to each other in their own languages, never knowing that they are voicing desires diametrically opposed.

Joe Vanek's set is most eloquent: it has a triangular front area where the three characters sit (occasionally rising) and talk, a rear, petal-laden area into which Molly finally withdraws, and a glowing, blurred garden view that looks like Odilon Redon's idea of the garden at Argenteuil.

T.P. McKenna, the best of the three actors in the best role, makes the most of Mr Rice's few ironic complexities. The role of Molly, however, contains little but monochrome, lyrical, reflective charm: as Catherine Byrne's performance reveals. As for Frank Sweeney, Mark Lambert carries on like a cheap cartoon of misdirected energy: the role isn't much, but it is slightly more human than this. Maybe we should blame the director: namely, Friel himself.

In one passage, Molly recalls her utter pleasure in swimming when blind, swimming in all its tactile and sensuous delight, swimming so fully enjoyed in her sightlessness that she felt that the pleasure felt by swimmers with vision must be a less complete pleasure. This might be a telling image, but what it tells has been told by Friel before. *Viz*: all the benefits of civilisation do nothing but educate us away from our most innocent and fulfilling instincts.

Ballybeg – locale of so many Friel plays – may have had its troubles over the centuries, but in each play it starts out as a carefree Garden of Eden. Then the inhabitants of Ballybeg eat the fruit of the tree of progress. I remember Ballybeg, oh yes; I remember the paradise I lost.

At the Gate Theatre, Dublin. It will transfer to the Almeida Theatre, London.

Rare outing for Purcell's Indian Queen

When they decided that the Glasgow International Early Music Festival would be biennial, somebody omitted to count ahead and notice that there would be no festival in 1995. That is the year of the Purcell tercentenary – well set to be the biggest early music jamboree that Britain has ever seen.

Glasgow was not to be outdone. For the major attraction of the 1994 festival, it is ambitiously presenting a fully-staged production of *The Indian Queen*, one of Purcell's musical works on – or around – a play by Dryden. Is it an opera? Is it a play with incidental music? Even in Purcell's day there was some indecision as to who these semi-operas were intended for, so it is not surprising to find that they rarely get a showing.

Unfortunately for Purcell enthusiasts, these scores contain some of the composer's best music. The usual solution is to perform the music in concert and leave the play as a synopsis in the programme. The commemoration of Purcell's death next year, however, demands more serious treatment. And it will get it: both the Royal Opera and ENO have new, fully-staged productions of the two most famous of the semi-operas planned.

Their tributes will probably be more lavishly staged, better rehearsed and sung than this *Indian Queen* (they had better be!) but they will do well to be half as convincing. On the only other occasion that I have seen *The Indian Queen* performed as intended with play and music together, the two art-forms barely made contact, as though musicians and actors were not on speaking terms. Kate Brown, the producer in Glasgow, achieves a far greater unity than that.

Unlike *The Fairy Queen* or *King Arthur*, this work does draw music into the heart of the drama. The key scene is the wicked queen's visit to the sorcerer's cave, where Purcell devised sinister music of the supernatural to create a world far removed from the earthly scenes of the rest of the play. David Thomas was marvellous as the sorcerer Ismeron, growling in his deepest bass tones for the spoken lines and slowly rousing himself into song.

Otherwise, Purcell mostly tried to elaborate general themes from the drama, an exotic story set among Aztec warriors. There is not a lot else one could do with the play, which rarely bothers itself with such disciplines as logic or restraint. Triumphant generals regularly change sides at the drop of a helmet and unconquerable tyrants are liable to be seen in chains in the next scene for no apparent reason. Juliet Cadzow played the Indian Queen as a cross between Boadicea and Cruella de Vil. Out of ludicrous material Matthew Whittle and Dan Maxwell did well to create serious male leads.

The musicians have an easier time of it, as Purcell's score is overflowing with songs and dance music that have brilliance of character already written in. The soprano Tinuke Olafimihan stood out among the singers. Gregory Squire conducted the Baroque Orchestra of the Scottish Early Music Consort with more zest than tidiness. They should all thank Kate Brown for giving them a production (designed by Louise Belson) which had wit and effervescence. It is amazing what one can achieve with a tiny budget and a big imagination.

Richard Fairman

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By the Grace of Getty

The long running saga of the Three Graces took a new twist on Thursday night when John Paul Getty II, the reclusive anglophile son of the oil billionaire, phoned the new Heritage Secretary Stephen Dorrell and told him that he would contribute £1m towards keeping Canova's neo-classical statue of the daughters of Jove in the UK.

Getty's offer is a gigantic step in closing the gap between the £7.6m that his father's museum in Malibu, California has offered for the Three Graces and the £5.8m already raised by heritage bodies and museums in the UK.

For Timothy Clifford, director of the National Galleries in Scotland, who last weekend raised the banner to save the Three Graces from imminent export, it is a dream come true. "National Gallery trustees and staff are dancing with joy," he said yesterday. "I'm sure even the Graces are now wreathed with smiles".

It was in 1982 that the Marquess of Tavistock first tried to dispose of the statue which had lain unnoticed at Woburn Abbey for almost two centureis. An ancestor, John Russell, 6th Duke of Bedford, had spotted a version of the Three Graces in Canova's studio while on the Grand Tour. It had been commissioned by the Empress Josephine, wife of Napoleon.

The Duke wanted a copy and built a sculpture court at Woburn to house his prize. But taste changed, and the fortunes of the Russells dwindled. By the early 1980s the eldest son, the Marquess of Tavistock, approached the Victoria & Albert Museum and offered the statue for £1m.

The sum far exceeded the annual purchase grant of the the impoverished museum and the Marquess was forced to look overseas for a buyer. In 1989, the mysterious Fine Art Investment & Display, a Cayman Islands registered company which is believed to be linked to the Marquess, sold it to the Getty Museum of Malibu California for £7.6m.

Immediately the national heritage lobby was in uproar and successive arts and heritage ministers have delayed the export of the statue in the hope that British galleries and museums could raise a matching sum. It should have finally left Christie's warehouse (where it has languished for years) last week, but the new Heritage Secretary Stephen Dorrell, in his first important decision, delayed the export until November 5.

The Getty Museum was furious. "Evidently the faith we have had in the fairness of the British export licence system had been misplaced. Our efforts have been blatantly frustrated by manipulations of the export licence system", thundered its director John Walsh.

He will be even more peeved to hear of John Paul's intercession. Father and son did not get on, and on previous occasions the Getty Museum, the best endowed museum in the world with an annual expenditure of over $100m a year, has been thwarted by J. Paul Getty II contributing to appeals to keep works of art in the UK.

By throwing his weight behind Clifford he has created a formidable team. The ebullient Clifford loves a crisis campaign and has waged many battles against the Getty Museum, wining some (a Duccio painting and a Bernini bust), losing others (a Mantegna and a Poussin). On both occasions John Paul Getty II backed Clifford with cash.

Clifford was "totally sanguine" about keeping the Three Graces before Getty's intercession. He had secured £12,000 from Kwik-Fit, the Edinburgh based company, to finance an appeals campaign and was already leaning on whisky and North Sea oil companies and banks in Scotland to contribute funds. Getty's £1m makes his chance of success very likely.

The aim is to share the statue between Edinburgh and the V&A, which deserves credit for keeping the campaign alive. The V&A has pledged £1.1m towards the price (as has the National Galleries of Scotland) while the National Heritage Fund has weighed in with £3m and the National Art Collections Fund with £500,000.

A public appeal was not a success: it attracted only £80,000. The Three Graces has failed to touch a popular nerve. It is more loved by connoisseurs who appreciate its artistic links back through the neo-classical revival to the Renaissance, to Imperial Rome and 4th century BC Athens. Before John Paul Getty's gesture there was much sympathy with the Getty Musuem. It had been kept hanging on for years and in these days of fast travel a sculpture on show at Malibu is likely to be seen by almost as many British people as one in the UK. In the past the Getty has always played the game. It has been reluctant to poach major national treasures. It may now think its rectitude has been exploited.

Ironically, later in November the National Lottery comes on stream which should ensure that in future nothing of any importance is ever lost. The Heritage Lottery Fund will have at least £150m rising to over £300m a year with which to shore up the heritage. The Three Graces should be the last fight to keep the UK chockful with treasures.

Antony Thorncroft

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ARTS

Canadian Robert Lepage, whose 'The Seven Streams of the River Ota' arrives in Edinburgh tonight

Scenes of infinite variety

Karen Fricker watches the controversial director Robert Lepage at work on his new theatre piece

A samurai sword, a guidebook to the Jewish museums of Prague, a folding wooden measuring stick, the Maria Callas recording of *Madama Butterfly*, an electric guitar, videotapes of *The Seventh Seal* and *Hiroshima Mon Amour*, a script of Yukio Mishima's *Madame de Sade*, a six-pointed star made of yellow cloth.

Scattered on a table in a Quebec City rehearsal room, these objects are the physical resources for Robert Lepage's new theatre piece, *The Seven Streams of the River Ota*; some are background materials, others props. As their variety indicates, the cultural reference of *The Seven Streams* spans wide – from the Nazi concentration camps in Czechoslovakia, to 1960s Paris, to '70s New York, to post-war and contemporary Japan. The company is in its final weeks of rehearsals before it takes the show to the Edinburgh Festival.

You would think, this late in the game, that there would be tension in the room, but the atmosphere is remarkably low-key; Lepage has clearly learned to keep the pressure at the door. And the pressure has been on: over the past five years he has become one of the theatre's most in-demand artists, directing at major venues including London's National Theatre where his *Midsummer Night's Dream*, set in a mud pit, raised hackles and filled houses; creating and touring a one-man show, *Needles and Opium*; running, for two years, the French-language wing of the Canadian National Arts Centre; directing pop star Peter Gabriel's world tour concert; and attracting the attention of, among others, Al Pacino and Gerard Depardieu, both of whom have approached the 37-year-old director about working with him.

But the jet setting took Lepage away from Quebec, the embattled province that gives him his artistic and cultural identity, and now he is making a conscious effort to redirect his focus homeward. He is negotiating a long-term lease on an abandoned fire station in Quebec City's port district, which he plans to convert into a multi-media arts centre. This summer he directed his first feature film, *Le Confessional*, in Quebec City and Montreal. And, with *The Seven Streams*, he has returned to the creative method that first brought him fame: epic-scale collaborations created with a troupe of from Quebec called the Ex Machina Project that is a regrouped version of his first ensemble, Theatre Repere.

The genesis of *The Seven Streams* came during a visit to Japan last year. "An old Japanese scholar and his wife were giving me a car tour of Hiroshima," he says, "and we drove across a set of two bridges across the River Ota called the Yin and the Yang, which are very consciously constructed to represent the male and female sexual organs. The old man explained to me that after the bomb, the first thing that was reconstructed in the city were these bridges – that since there was death all around they wanted life to start up again, and to create life you need sex.

"I was stunned to see that in this area where the sense of death is so present that suddenly there is this literal and figurative representation of life and sexuality. I decided I wanted to do a piece about that – about sex and death, sex and Hiroshima."

In January, eight actors began work on the project. Several plot lines began to take shape: an American navy photographer comes to Japan in 1946 to photograph the aftermath of the bombing, and meets a Japanese woman disfigured by radiation. A young Quebec man arrives in present-day Hiroshima to study calligraphy, and takes a room with an older Czech woman, whose life is replayed in picaresque flashback. Their lives become entangled with a Quebec diplomat stationed in Japan and his bored, shrewish wife.

By June, the show's structure is set: seven sections, called *boites* (boxes), played against a wall of seven sliding panels, designed by Lepage. No script, *per se*, exists at this point – structure always precedes dialogue in Lepage's process – but sheets of paper on the walls, constantly being amended, diagram the order of scenes. Each actor plays multiple roles, and casting is, to say the least, flexible: after one actor dropped from the show late in the rehearsal process, some of his roles were farmed out and others taken by the stage manager.

At each rehearsal session the company runs through a *boite*. Some go smoothly; others are still raw, the actors improvising their way through scenes, slowed at times by Francophone cast members who have difficulty extemporising in English.

At the end of each session, the company sits down to talk. What worked? What didn't? Is the section finished, or do they have to work through it again? Most importantly, what did they learn about the characters and situations that they did not know before? This notion, that they are discovering truth, not inventing fiction, is at the heart of Lepage's aesthetic.

"Before we even start to write or explore a show, it exists," he says. "It has a subconscious of its own, a content of its own. The actors, in their improvisations, are digging in the piece, and they uncover things – objects, relationships, coincidences, facts. Then we have discussions to figure out how we can connect these things we have discovered with the things we already know."

For the observer, despite the sometimes grinding pace, rehearsals are studded with the intense moments of discovery and connection that typify Lepage's work: the repetition of a prop, gesture, or line of dialogue reveals a previously hidden relationship; with a lighting change, a set piece takes on a new identity. Lepage has particular fun with the set's opaque door panels, playing out scenes in silhouette against them, then turning them into video screens; after this show audiences are unlikely to look at train station photo booths the same way again.

After its initial British tour, *The Seven Streams* is booked at festivals and venues throughout Western Europe and Quebec for the next three years; several bookings in Japan are set to coincide with the 50th anniversary of the bombing of Hiroshima. As the piece moves, it will grow from three to seven hours long, not through the addition of new sections but through the expansion of the segments already in place. Will it ever be finished? That, for Lepage, is not the point:

"There is no recipe, no series of rules, no theory behind what we do. You cannot put a Shakespeare play and a Tennessee Williams play in the same microwave oven and expect them to be 'done.' How is this meal is going to be cooked? We'll have to discover that as we go along."

The Seven Streams of the River Ota plays at the Meadowbank Sports Centre in Edinburgh from August 13-21; at the Tramway Theatre, Glasgow from October 6-8; at Manchester City of Drama from October 13-15; and at the Riverside Studios in London from October 20 to November 5.

Rude health blossoms on the Edinburgh Fringe

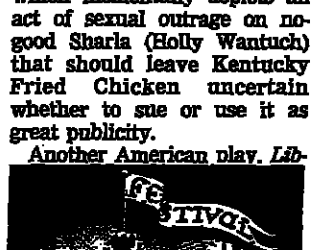
Before the official festival starts with Mahler conducted by local son Donald Runnicles, the Edinburgh theatre fringe has blossomed into rude, sometimes very rude, health.

The usual strong transatlantic influence is evinced at the Traverse, a venue so vital to Edinburgh in the festival and out of it that it seems anomalous to classify it as fringe. Besides the Canadian Brad Fraser's rather disappointing recycling of previous themes in *Poor Super Man*, reviewed last month, two plays by Americans have already made their mark. *Killer Joe* is part of what seems like this festival's trend towards the strong meat of brutal sex and violence. Tracy Letts' play is performed superbly by the Hired Gun Theater of Chicago.

This is Sam Shepard territory, a trailer park in Texas. Ansel (Marc A Nelson, grossly beer-bellied over his Y-fronts) shares a mobile home with his second wife Sharla who is in the habit of answering the door naked from the waist down. The plot is less important than mood, but it centres on killing Ansel's ex-wife for her life insurance. Also in the scheme are the children of the first marriage, feckless Chris and the feyly virginal Dottie.

The killer of the title is the hitman (Eric Winzenreid) who demands Dottie as part of his fee, to the semi-articulate unhappiness of Chris who obviously feels more than brotherly love for his sibling. Brilliant acting (notably from Michael Shannon and Shawna Franks as the Siegmund and Sieglinde of the caravan set) steers the characters clear of cliche and the play is often funny as well as disturbing. Wilson Milam's direction explodes into disconcertingly vivid violence which threatens to burst the bounds of a claustrophobic set (designer: Luke Grimm). *Killer Joe* is an engrossing work – which incidentally depicts an act of sexual outrage on no-good Sharla (Holly Wantuch) that should leave Kentucky Fried Chicken uncertain whether to sue or use it as great publicity.

Another American play, *Liberty Oregon*, is presented by an English-based group. The year-old Foothold Theatre Company has already given Steffen Silvis' haunting ode to the casualties of a forgotten corner of history at the Man in the Moon, Chelsea, but it deserves its festival showing. Sometimes falling into the trap of self-conscious Fine Writing, the piece nevertheless generates power in Natasha Carlish's confident production.



Here the presiding deity is John Steinbeck, with a dash of genuine loathing for small-town redneck America that is all the author's own. We meet Nadia Novitski as a young girl collecting shells on the beach, and her father, a strike-leader at the local saw-mills. Nigel Hook's set drapes a tattered Old Glory above the suggestion of a worm-eaten, splintered world that harbours fundamentalist Christians beating the devil out of the rebellious girl, racist authorities that intern Japanese American citizens after Pearl Harbour, and inanely bright proprietors of burger chains, the new carpetbaggers snapping up the internees' property.

We follow Nadia's quest to find out what happened to her father and the other mill-hands after they were transported on a freight train, roped and hooded, to oblivion, her father bearing a good-luck shell from the beach. Silvis has a savage eye for his own new world: the religiosity and racism, the corruption and inequity of the melting-pot that never melded, of new Americans – German or Irish or whatever – "driven by second-hand dreams of how they once belonged somewhere else"; and the totemic nationalism of those "ending up in some shotgun shack pledging allegiance to a rag".

The play ends uncomfortably with the disappearance of Nadia as she nears the revelation of what happened to her father. The radio news reports a woman being picked up in the middle of nowhere carrying human bones and a petrified shell. The item is dropped and then all traces of Nadia officially disappear.

Uniformly well acted by an Anglo-American-Malay cast (David Gilliam's adept doubling – vicious sheriff, all menacing rage, and alcoholic derelict – is typical), the play is dominated by Sarah McVicar. She gives Nadia a toughness that never becomes bitter, a weary hopefulness that casts a radiance at the heart of the author's unforgiving vision.

I felt pretty unforgiving after an hour of *Bow to the Beast*, where the audience is harangued by a bare-chested young man, apparently a serial killer though this assumption of these particular sins could merely be part of his messianic conviction that he is the "psychopathic Christ" – no, sorry, *we* are the psychopathic Christ. Though "devised" by the company (the usually accomplished Boilerhouse), the text is attributed to Barry Graham, an angry young Scottish writer, ex-boxer and Zen Buddhist. Descriptions of murder and necrophilia or choking a child to death on Smarties may pack a certain shocking punch, but the conclusions are both banal and illogical, the methods stale – TV interviews with Nazi camp officials and their families: "He was a good man, a good father, doing his job". The moment of truth comes fairly near the beginning when we are informed "What I am going to have to show you you will never understand". Jan Knightley performs with ferocious physical intensity.

Off the Royal Mile, The Pleasance's complex of performance spaces is already humming with activity. A trifle tentatively in the case of *Abducting Diana* which I saw early in its run before the company, Moving Theatre, had ironed out technical problems. I would be more worried about injecting some thrust into Susan Penhaligon's sleek dumpling performance of what should be a cyanide soufflé in the title-role. This British premiere of a 1986 Dario Fo comedy is not about you-know-who. The original Francesca was a banker kidnapped and held to ransom; in Jonathan Banatvala's production she is a media tycoon, one Diana Forte-McKaye. Typically for Fo, farce is piled on social comment, but the Italian fun fails to fizz in English. Everything is too exaggerated. There are national styles in injustice, and this does not quite gel, despite painstakingly interpolated British references to such natural targets as Stringfellow's, Hello! and The Independent.

Some of the translation is doggedly facetious. Some is quite funny, but not enough to clarify the tangled threads of this plot of bluff, double-bluff, twist and turn. And writers of comedy should never tempt comparisons by mentioning other comics. "This is isn't Ray Cooney," says someone sharply. Alas no. Full marks to Clare Welch as Diana's mother for crisp comic style.

Martin Hoyle

Chess No 1034: Black blundered by Qxe7? 2 Qa8+ Kc7(Kd7 3 Qxc6+) 3 Rxc6+ Kd7 4 Qc8 mate, but he could have won by 1 . . . Rh1+! 2 Kxh1 Qd5+ and Rxa3.

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The Official London Theatre Guide

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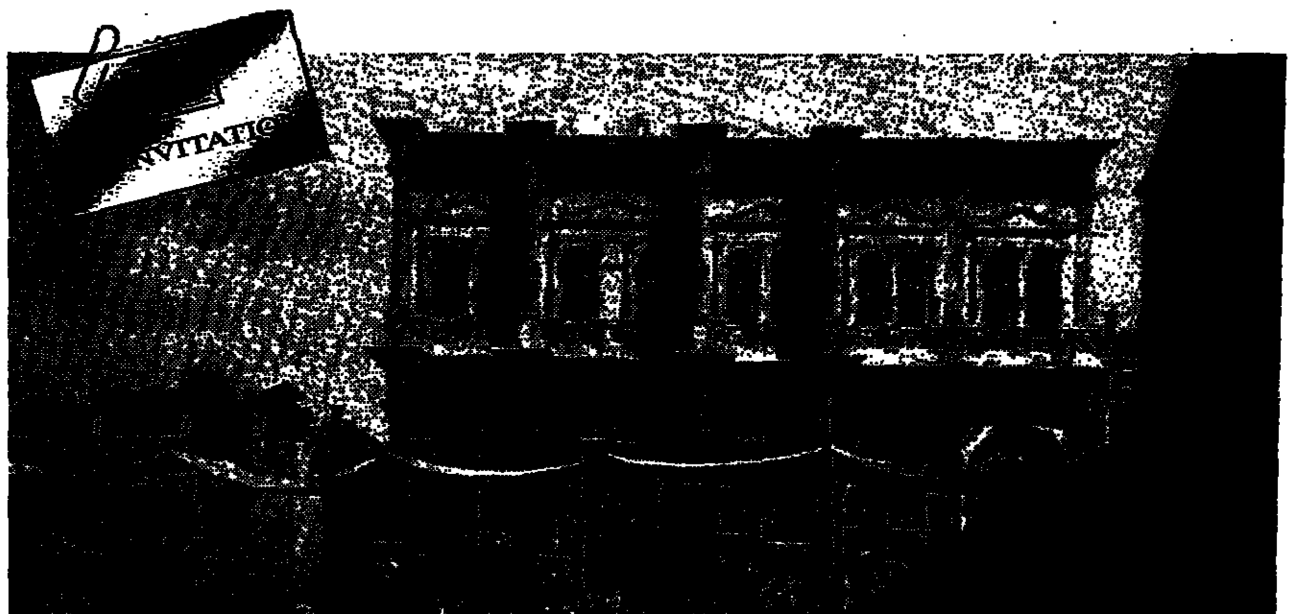

THE GLORY OF VENICE

AT THE ROYAL ACADEMY WITH THE FINANCIAL TIMES

The Financial Times invites its readers to the Royal Academy of Arts for an exclusive evening view of *The Glory of Venice: 1700 - 1800* on Friday, 16th September. This is the day after the exhibition opens so Financial Times readers will be among the first to enjoy it.

The exhibition promises to be one of the major artistic events of this Autumn, encompassing the whole range of artistic production in 18th century Venice. It follows the Royal Academy's acclaimed exhibition in 1983, *The Genius of Venice*, which covered the 16th century.

The great artists are fully represented, with Canaletto's spectacular views of both England and Venice alongside cityscapes by Guardi and Bellotto. Tiepolo, one of the greatest European painters of the time, has over 40 examples of his work on show, notably the rarely seen *St. James the Great Conquering the Moors*. Learn more about Venetian lifestyle at the time from Longhi who recorded everything from a lady's morning toilette to the exhibition of a rhinoceros!

The Financial Times has arranged this private viewing so that you can enjoy the marvels of 18th century Venetian art in the surroundings of the Royal Academy without the crowds. Tickets are £10 each, so to be among the first to see beautiful works of art from this important period in art history, please complete the coupon.

FRIDAY, 16TH SEPTEMBER

6.30pm	Doors Open
6.40pm	Laurent Perrier Reception
7.15pm	Brief Talk about the exhibition
6.30-8.30pm	Viewing of The Glory of Venice

The Glory of Venice is sponsored by Sea Containers Ltd, Hoverspeed, Venice Simplon-Orient-Express, Hotel Cipriani, Hotel Splendido and Villa San Michele. The exhibition at the Royal Academy of Arts, London W1, is open from 15th September to 14th December 1994. Tickets are limited and only offered subject to availability.

Picture Above: CANALETTO, The Doge visiting the Scuola di San Rocco (c. 1735) National Gallery, London.
Picture Left: TIEPOLO, St. James the Great Conquering the Moors (1749) Szépművészeti Múzeum, Budapest.

Addresses supplied by readers in response to this invitation will be retained by the Financial Times, which is registered under the Data Protection Act 1984.

THE GLORY OF VENICE

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MEDITERRANEAN PROPERTY: PART 2


For FFr33m . . . the Villa Le Cottage at Cap Ferrat, France


For Pta235m . . . Jardines de Narvaez, an 1844 house and garden near Loja, Spain

From Tuscan dreams to Spanish mills

***Gerald Cadogan** looks at three countries where climate and the way of life continue to appeal*

Many Britons have either moved permanently to Italy, France and Spain or bought holiday homes, and many more would if they could.

■ ITALY

Tuscany has long been the magnet for Britons, who have concentrated round Siena and up towards Florence. But Steve Emmett, of agent Brian A. French, says prices rose so much late in the 1980s that potential buyers moved to Umbria (equally glorious country), where they also pushed up prices.

The next stage was the Marche on the east coast, easy to reach in summer by Pescara, Ancona or Rimini airports but accessible only via Rome or Bologna in winter.

Emmett says buyers now are "less adventurous". All want to be near Siena, even if that means two rooms and a kitchen.

There is no interest in north Tuscany above Lucca – surely an excellent reason for looking there – but plenty in all ranges in Umbria and for cheaper houses in the Marche.

People also ask for the Ligurian Riviera and, occasionally, for Bologna itself (the traditional food capital of Italy).

Suddenly, too, the island of Elba is in demand from both Italians and foreigners, who must take the ferry from Piombino. Vendors in the £200,000 to £400,000 range are often wealthy British people who bought in the 1950s and 1960s.

French has several farmhouses on Elba in this bracket and, for L566.5m, an unusual flat in the fort of Portoferraio with terrace views over the town.

On the mainland, there are apartments in newly restored Tuscan farmhouses between L180m and L450m, while a farm above Lake Trasimene in Umbria is just L96m, although it needs work.

Grander is a pink, 18th century villa at Citta della Pieve for £700,000 (having been over £1m). The agent, Simply Italy, specialises in north Tuscany and the Marche, with a wide selection of farmhouses and cottages (and some townhouses).

Water can be a problem in many regions, however. If so, factor it into your offer. If you are successful, you could have to dig a well or install a tank to fill from lorries.

□ *Information (all numbers London unless stated otherwise): Brian A. French, 071-284 0114; Simply Italy, 081-891 5277.*

■ FRANCE

Pyrenees Orientales offers best value at the Spanish end of the French Mediterranean coast, says Sarah Francis of Sifex (which offers a selection).

And now is the time.

The area is popular with Parisians, who buy for retirement and like the skiing as well as the sea. The Paris property market is improving, which will pull up local prices in 1995.

A sensible offer now could let you pay 10 per cent below the asking price – some recompense for the decline in the pound/franc rate since September 1992.

Small village houses start at FFr300,000, while small villas cost around FFr500,000-FFr800,000 and larger ones with pools around FFr1.2m.

Towards Italy, though, the vendors are usually very rich and can afford to wait for the price they want. "The Cote d'Azur is always expensive," warns Hilary Katz of Azur International, which has Cannes luxury flats at FFr5.1m and FFr2.6m.

Agent G.A.K. Williamson, meanwhile, has apartments in new Riviera developments from FFr365,000 to FFr5.2m (for a penthouse by the Promenade des Anglais in Nice).

For FFr33m, Knight Frank & Rutley or John Taylor offer the Villa Le Cottage near the point of Cap Ferrat; it looks similar to the "cottages" in Newport, Rhode Island.

Substantial properties inland include the Chateau de Seillans for FFr9.5m (Hamptons); a *bastide* at Salernes for FFr2.75m (KFR or Hugo Skillington); and a farmhouse at Mormoiron for FFr3.9m (KFR or Duval).

□ *Azur International, Cannes (33-92 98 01 021; Duval, Beaumes de Venise (33-90 65 03 07); Hamptons, 071-493 8222; Knight Frank & Rutley, 071-629 8171; Sifex, 071-584 1200; Hugo Skillington, Grimaud (33-94 43 69 79); John Taylor, Monaco (33-93 50 30 70); G.A.K. Williamson, Alresford, Hampshire (0962-734 999).*

■ SPAIN

Watch that the vendor has not inserted a clause by which the buyer becomes responsible for all debts and taxes pertaining to a property. While such a clause is not illegal, you do not want it.

Barry Randal-Williams, Hamptons' associate in the jet-set resort of Marbella, says the property market in the area has recovered remarkably, with twice as much business as elsewhere.

Why? Because Jesus Gil y Gil, the dynamic mayor, has cleaned up the town's fast-fading image.

As a result, almost all the houses that had been on the market for several years have sold in the past 12 months and stock is now short. For the first time in four years, building is racing ahead.

When the new houses are ready, probably by this time next year, Randal-Williams thinks prices may rise. Meanwhile, house-hunters – including many British and Germans – are having to look inland.

Hamptons has gone into partnership with a firm in the ancient town of Ronda (which boasts the country's oldest bull ring) to offer properties ranging from a large hunting estate to a dilapidated mill at £75,000. All need work.

Near Loja, Hamptons is selling Jardines de Narvaez, an 1844 house with an important listed garden, for Pta235m. The same agent has a farm with 15 acres in the hills behind the Puente Romano development near Marbella. Price: £975,000.

Near San Pedro, KFR offers Bosque de Mirlos, a 20-year-old villa, for £1.25m; while a 2,100-acre sporting estate in the oak forests of Andalucia costs £3m. It has partridge, rabbit, duck, deer, boar and mouflon, as well as fishing.

□ *Information: Puente Romano, 081-754 8696; Hamptons and KFR, see France; B. Randal-Williams, Marbella (34-52-861 909).*

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Garden design

Planning for perfection

***Bridget Bloom** peruses the latest crop of books dedicated to making your horticultural efforts look better*

To plan or not to plan? Do you mark, measure and draw up – almost certainly on graph paper and to scale – the garden of your dreams? Or do you trust to your eye and your spade and then dig, more or less as the spirit moves you?

Having succumbed to the latter form of garden "design" in an acre of rough grass a decade ago, I now adhere firmly to the planning school. If I had not been so impatient and impulsive (I tell myself), I might now have a nicely composed and characterful garden, with weed-free and well-drained borders.

Certainly, careful garden planning is now in fashion and anyone starting – or altering – a garden can find in the bookshops a clutch of volumes to set them off on a proper path. What has come my way to review this summer are a fraction of those available, but they are a good start.

Top of the list is *The Well Planned Garden*, by Rupert Colby (Conran Octopus, £15.99), the latest in a collection of nicely produced books from the Royal Horticultural Society on different aspects of gardening.

"Planning a garden is in some respects like designing the interior of a house – involving both structural divisions and decorations," Colby says "but there is one important difference: many of the components in the garden are of living material which may not only increase in size but also undergo a change of character as they mature.

"To allow for this, a well planned garden must have certain tolerances built into its concept, with longer term plans as well as immediate solutions."

That is a good statement of part of the problem but, to my mind, it does not go far enough. It seems incomparably more difficult to design a garden than to decorate and furnish a house.

The rooms of a house have walls and ceilings as a framework for furniture or colour schemes. Rooms change very little with the seasons, so the decorations you choose are there until you decide to change them.

In a garden, not only does what you plant grow and die but it changes all the time. Crucially, too, a garden has only the sky at the top and, often, only the crudest "boundaries". I reckon anyone can decorate a room, but to get a garden looking good the year round is a real work of art.

Colby's work will not produce a work of art but, well illustrated and written clearly, it is designed to take a relative beginner step by step through the practical business of designing a garden.

John Patrick, author of *Designing the Small Garden* (Anaya, £14.99), does much the same thing although his focus – confined to the urban or small suburban garden – is more limited. Designing such a garden is certainly less demanding, for its boundaries are set closely.

The Traditional Gardening Book (Dorling Kindersley, £12.99) is a handsome paperback version of a work written by Graham Rose, in association with The National Trust, in 1989. Rose covers many of the same areas as Colby but from an historical – particularly Victorian – perspective.

It is a book in which to browse, its many illustrations including delightful drawings of old tools and garden features, from rhubarb and sea kale forcers and handlights for seedlings to a dozen varieties each of spouting fountain heads, urns and arches. It will not greatly help you to plan, but will certainly aid the furnishing.

A wild garden, you might think, is quintessentially unplanned, an antidote to Victorian order. Not according to the experts. *The Wild Flower Garden* is by Noel Kingsbury and part of the RHS series mentioned above (Conran Octopus, £15.99).

Kingsbury explains that you cannot just leave a lawn and expect it to sprout into a meadow. Much work is required, at least in the early stages, and much care must be taken to plant the right sort of meadow for your soil and situation.

Still on the general design front is something rather different. *A Handbook for Garden Designers* (Ward Lock, £18.99) is exactly what it says. Written by Rosemary Alexander, the principal of the English Gardening School at the Chelsea Physic Gardens in London, with Karen Batstone, this would be much too detailed and probably too technical for most amateurs, but no doubt invaluable for anyone studying the subject

Water, virtually all garden designers seem to agree, is an essential element of the well planned garden. According to Sue Fisher, author of *The Complete Book of Water Gardens* (BBC Books, £9.99), water is "the single most attractive feature that can be added to any garden".

After an introductory chapter of do's and don'ts, Fisher examines 10 DIY water projects, from a wildlife pond to a basic fountain, concluding with chapters on planting and problems of cleaning and maintenance. Quite clearly, this is a useful book for beginners.

A similar, if rather more lavish, volume is *Water Gardens*, by Jacqueline Heriteau and Charles Thomas. Published for the American market by Houghton Mifflin of New York and Boston at $35, there are some aspects of the book which will not be of great use to north European gardeners – raccoons not being among their most feared predators of garden-pond fish, for example. But there is much that would help, including a splendid, long and well illustrated chapter on water lilies.

For rather more sophisticated planners, *Waterside Planting*, by Phillip Swindells (Ward Lock, £8.99) is to be recommended. His initial chapter describes the construction of bog – rather than water – gardens but the bulk of the book is a compendium of moisture loving plants with concluding words on their propagation and their predators.

Next: two books to aid the painterly aspect of garden design. *Colour Your Garden*, by Mary Keen (Conran Octopus £9.99) is a recently published paperback version of a 1991 hardback.

It is a splendid guide to which colour plants to put where, with a painter's eye to the changes wrought by the seasons. Hear Keen on yellow: "Blue cannot always be relied upon to produce a feeling of well-being but it is rarely disagreeable in a garden setting.

"Yellow can be horrible. The chief reason for this is the changing quality of light in the garden which affects yellow more than any other colour.

"Under the watery suns of spring, yellows appear clear and fresh, but bright summer sunlight turns all the gold to brass . . . then, later in the year as the light loses its brilliance, yellow becomes acceptable again and the muted sunlight of autumn afternoons mellows golden leaves or flowers."

Well-illustrated, Keen offers planting plans in various colour modes and includes a directory listing plants in colour sequences. (An additional advantage is that, unlike many of the books reviewed here or in publishers' lists, Keen's captions generally tell you in which garden the photographs were taken).

The next book is the only one I have seen dedicated to variegated plants: it covers a wide range of perennials, tender plants, annuals and biannuals, and trees and shrubs. *Variegated Plants* is by Susan Conder, with handsome photographs by Andrew Lawson (Cassell, £20). While the best part of the book is an illustrated plant directory, there is a good introductory chapter on using variegated plants through the seasons.

Less useful, to my mind, is a book on *Clematis and the Ranunculaceae*, by Deborah Kellaway (£14.99, Pavilion). Buttercup, winter aconite, meadow rue and clematis may all be from the same family but, from a gardener's point of view, it is not terribly helpful to have them covered in one volume.

Others may find Nigel Colborn's *Annuals and Bedding Plants* (Conran Octopus, £12.99) fascinating. Perhaps bedding schemes will come back into fashion but: for me, they spell municipal gardening.

As all these books show, there is no dearth of advice for the would-be garden designer. The danger, of course, is that you can get so carried away by reading and planning that you never get started in the garden itself.

Planning is certainly important – but so, too, is impulse.

اقتصاد الأعمال

PERSPECTIVES

Russia discovers the rape victim

***Lori Cidylo** looks at a growing, and surprisingly frank, public debate on what has long been a hidden crime*

When Kira, a 17-year-old university student, was raped by a neighbour in a rural village on the outskirts of Moscow, she agonised for months over whether she should tell her parents. Terrified and ashamed, the young woman, who had become pregnant as a result of the attack, decided to keep the knowledge to herself.

But rumours of the incident spread through the small village. One night, a young man beat her mercilessly, calling her a "tramp". When Kira staggered through the door that evening, her father informed her that he "could not live in the same house with a whore", and cast her out. Her mother added: "You have shamed us."

A graphic account of Kira's rape, which appeared in the popular daily *Komsomolskaya Pravda* – the first article on rape the newspaper has published – created shock waves in a country still reluctant to address crimes of violence against women.

"The most important thing I want to say is that what happened is *not your fault*," Natasha Gaidarenko, a psychologist who has become a pioneer in rape crisis counselling, wrote in the same issue. "Even if a woman flirts with a man... even if she lets him kiss her, it does not mean she has consented to what followed... In *every case*, responsibility *always* lies with the rapist... you are in no way responsible for the horrible things that happened to you."

That is a revolutionary notion in Russia, where many people still subscribe to the myth that rape is a crime of passion and that women "provoke" rapists by dressing or behaving seductively.

Under glasnost many explosive issues burst on to the printed page. But rape remained outside the selective sieve used by the communists to filter out unpleasant realities.

Many Russians still believe that rape occurs rarely, if at all, in their country, although experts say the crime is endemic. "Russia is an incredibly rape-prone society because of the high level of alcoholism and the low status of women," says Martina Vandenberg, who has counselled rape victims in Britain and the US. Aleksei Ignatov, a lawyer who specialises in sexual assault, says the number of rapes reported each year – 13,600 in 1992 – represents about one-tenth the total actually committed.

But there are signs that ideas about rape are beginning to change. Once regarded as a bourgeois crime that afflicted only the decadent west, rape has suddenly become the focus of an unusually frank debate.

After Kira's story was published, Gaidarenko said she received more than 900 letters from women around the country who said that they, too, had been raped. Most had suffered alone, in silence, sometimes for decades. The few who dared to tell someone, usually a mother or a close friend, were often ostracised. Many wrote that they felt deeply ashamed and suffered from depression, insomnia and feelings of helplessness. Some said they had attempted suicide.

"When a woman is raped, she is afraid to go to the police and she is afraid of being judged by her family. Everyone turns away from her. She has nowhere to go," says Galina Chentsova, a psychiatrist in St Petersburg.

But Gaidarenko, who heads the Moscow Sexual Assault Recovery Centre, Russia's first rape crisis centre, is hoping to change all that. At the centre, which opened in April, women receive counselling and medical care from psychologists and doctors who are sensitive to the special needs of rape victims.

Most of the women feel isolated because they are unaware of how prevalent rape is, Gaidarenko says. "When we first bring a group of women together, each one thinks that this is her own unique experience. When they discover that they have all been through the same thing, they are in a state of shock. They wonder, 'Can it be true that this pain is not mine alone?' Then they start to talk about it and the healing process begins."

Rape counsellors say it is crucial that those dealing with the victim, such as police and doctors, understand her feelings of powerlessness and tendency to blame herself and not compound those feelings.

But women who report that they were raped are often regarded by police with hostility, scepticism, salaciousness, and even mockery. One woman, whose boss forced her to perform fellatio, says that when she reported the incident, the police laughed at her and told her that she had not been raped. Doctors, too, are often insensitive and may adopt an accusatory tone. One 15-year-old victim recalls being asked: "Did he take your pants off or did you take them off yourself?"

Lola Karim, a gynaecologist who works at the centre, said: "We tried to open the centre in a hospital, but all of the doctors we spoke to refused. They said, 'But women bring it on themselves.' They felt that this was not an important issue and that we were just a bunch of hysterical women."

Karim says that hospital personnel often turn victims away. "They tell her to go to the police and file a report first, even if she is injured and needs care." The few hospitals which can do an evidentiary exam, a necessity if the victim decides to prosecute, require a pass which only the police can issue. But police often refuse to issue the pass because they do not believe the victim or because they have been bribed by the rapist.

Although Gaidarenko estimates that 70 per cent of women who are raped are raped by men they know, in Russia, acquaintance rape is largely ignored or denied. Women who are raped by men they trust, and often like, such as co-workers, friends or dates, often wonder whether they have "really" been raped.

Larissa Korneva, a psychologist at the Centre for Gender Studies in St Petersburg, says she questioned the validity of her perceptions even as she was struggling with a fellow student who tried to rape her on a beach. The two had spent the day picnicking and swimming with friends and, she recalls, she had felt attracted to him.

Some American researchers believe that acquaintance rape is facilitated by a socialisation process which encourages sexually aggressive behaviour in men.

In a three-year study by psychologist Mary Koss, 53 per cent of US college men admitted to kissing a woman against her will, 60 per cent admitted to touching a woman's breast against her wishes, 37 per cent said they had touched a woman's genitals without consent and 15 per cent admitted to attempting or committing at least one rape. The most striking finding was that 84 per cent of the men who had committed rape said that what they had done was *definitely* not rape.

Although no comparable study has been done in Russia, many Russian experts agree that socialisation plays a primary role in cases of acquaintance rape. "The cultural message given to Russian boys is 'take, don't ask'," while women are trained to submit, Korneva says.

Olga Zayarnaya, a psychologist in Ekaterinburg who has counselled rapists as well as victims, says men often deceive themselves into thinking that acceptance of some type of sexual foreplay, such as kissing, means a woman is willing to have sex. Such men, she says, "honestly do not believe that they have raped anyone".

Sasha, a 29-year-old translator, is a typical example of such a man. Although Sasha admits that he sometimes uses "forceful persuasion" with women who are reluctant to have intercourse, he does not consider himself a rapist.

While acquaintance rape is a serious and under-reported problem, some researchers believe that marital rape may be the most prevalent type of sexual assault because of prevailing social attitudes. When Marina Baskaova, a sociologist at the Moscow Centre for Gender Studies, attempted to study the issue, she discovered that her respondents "didn't understand the question. It never occurred to them that a husband could rape his own wife."

Zayarnaya, who divorced her husband after he tried to rape her, recalls the reaction of her friends. "They said, 'so what? That's normal. He is your husband. He doesn't do it every day. So he lost control once. What's the big deal?'"

Rape counsellors agree that perceptions about rape are unlikely to change until attitudes towards the role of women change. "Women must be equal partners, not servants who clean the house and fulfil their husband's sexual needs," says Karim. "Men – and women – must understand that every woman has the right to decide, 'do I want to be intimate or not?' and that no one has the right to invade her body and violate her soul."

As They Say in Europe/**James Morgan**

Environmentally unsound news

A French holiday has revealed a flaw in this column. It is based on reading newspapers in an environment for which they were not designed: a bit like drinking Swiss wine in Swindon. This problem may seem obvious to a non-journalist, but those in the trade would not laugh at those reading *Sud-Ouest* in London rather than the Lot.

Over the past three weeks it emerged that *Le Figaro* makes far more sense over a dish of *saucisse-frites*, at a lay-by on the RN20 outside Châteauroux, than it ever did on the 8.20am into Waterloo. There are its marvellous weather reports. There is news of the rich pickings to be found in new discoveries about the work of the poet Arthur Rimbaud.

At such times the actual opinions of the newspaper in question are irrelevant. The views of *Sud-Ouest* on Bosnia seem neither notably exotic nor especially banal over a *kir* on the *terrasse* of one's *gîte*.

It is one's own newspapers that suddenly seem odd or absurd. The *Daily Mail* stood out on the newsstand with a lead story about a French air traffic controllers' strike. An excited headline writer, dipping deep into his treasure chest of original thought, shrieked: "Britons in holiday flight misery."

One wonders what is most unattractive about this summary: is it the concentration on one insular aspect of the affair, the use of the word "Britons," or the overtones of paranoia and chauvinism in the suggestion that it was all a foreign plot aimed at the island race? It aroused the feeling you get when catching sight of drunken fellow-countrymen in the corner of some foreign bar that is forever England.

In France the papers seemed, by comparison, phlegmatic and reasonable. Perhaps it was just because it was August and everyone was away, but even the provocation of a commentary in the American magazine *Forbes* advising its readers, composed exclusively of rich businessmen, to pull their money out of France aroused little passion in the newspapers. (It did cause a bit of a stir in financial circles, though.)

One of the writers of the column was Steve Hahnke, an American academic, the other Sir Alan Walters, economic adviser to Margaret Thatcher when she was prime minister. He continually upset Nigel Lawson, then chancellor, around the turn of the decade. Lawson believed his position was being undermined by the advice given by Sir Alan. In a typically British solution, both resigned.

The issue was the European exchange rate mechanism, which Sir Alan deplored. He said Britain should have no truck with it. He is now attacking the French for sticking to an overvalued exchange rate against the D-Mark even though the ERM itself has been shattered. In his column in *Forbes* he told the French government it was "too clever by half" – just one more reason to avoid investing in the country. The others were a rigid labour market, slow growth, which allegedly made official forecasts a joke, and corruption.

Whether by accident or design, *Le Monde* juxtaposed its report of the attack with a long piece on the marvellous performance of French exports as reflected in the latest trade figures. Many innocents might conclude that if France suffers any economic problems an overvalued currency is not one of them. Britain's pound has fallen in line with Sir Alan's recommendations and yet delivers endless large trade deficits and inadequate investment.

A business daily, *La Tribune*, seemed to find the attack a bit of a joke. "The impression grows: we upset our American friends." It then referred to a *Newsweek* report on "France's faded glory" last May and the *Wall Street Journal's* scarifying account of domestic corruption. "In brief it seems our beautiful country is at the edge of suffocation and American pension funds would do better to go and have a look elsewhere... In Balladurian France, where courtesy reigns, we have lost the habit of those lively anti-government criticisms which flourished when the Socialists were in charge."

It then argued that American attacks were acceptable when they concerned "socialist-communist power" but were out of place when targeted at a "free market power practising a rather orthodox monetary policy and showing considerable calm in the face of social malaise." It is nice to think of the *Forbes'* columnists as a pair of lefties, unwilling to support a government that puts anti-inflationary orthodoxy at the top of the economic agenda.

Misunderstandings abound, cross-border dialogue seems impossible, yet it all goes down very well after a light lunch of *confit de canard*, *cassoulet* and a bottle of *rosé*. But the implications are frightful: does it mean that one has to go to Frankfurt to appreciate its *Allgemeine Zeitung?*

■ *James Morgan is economics correspondent of BBC World Service.*

Baby boomers and the counter-culture

*A Grateful Dead concert took **Barry D Wood's** thoughts back to Woodstock. He asks why the optimism vanished*

Glenn and Ira Goldfarb were not yet five when I attended my first Grateful Dead concert in Berkeley 24 years ago. Typical of new generation Dead-heads, the Goldfarb brothers go to several of the band's concerts each year. Months ago they identified two nights in Washington as the time to escape from wives and children and commune with a past they have romanticised but never experienced.

The brothers ordered concert tickets. When we met, Glenn and Ira were already in the *de rigueur* brightly coloured tie-dyed T-shirts that hark back to psychedelic Haight Ashbury, where the Grateful Dead were already a legend by the late 1960s. Few would have guessed the Glenn is a chef and Ira a tax accountant.

On a hot summer night, Jerry Garcia, Grateful Dead vocalist, guitarist and song writer, wore purple shorts and T-shirt. He arrived back stage in a golf cart, overweight, tired and looking older than his 51 years. His frizzy hair is white. There were deep creases behind his dark glasses, a legacy of too much hard living.

The band began to play. Any lingering reservations about whether I wanted to be there disappeared.

The tilting country rock melodies invited movement and response. When Garcia sang cheers welled up from the crowd of 60,000. "Come hear Uncle John's band, down by the river side, he's come to take his children home."

The voice still projects the sweet, mournful high notes. It was like the old days and remained so for two hours through a gentle rain willingly endured by the young and not so young alike. Pipes were passed. The pungent aroma of marijuana was pervasive. People swayed to the music.

Beautiful girls with long hair and flowing skirts danced in the stadium corridors and sidelines just as their mothers may have done. I realised that I am like the Goldfarbs, reaching out to connect with something authentic that has been lost.

Garcia called the Grateful Dead performance at the original Woodstock in 1969 miserable. That is one reason these Bohemian troubadours were not invited back for the 25th anniversary extravaganza Woodstock 94: "Two More Days of Peace and Music." But they would not have gone anyway. "You can't put lightning in a bottle twice," said Dennis McNally, a PhD in American history and long-time Grateful Dead publicist.

The year 1969 stands out for two reasons: the landing on the moon and Woodstock. The vision, ingenuity and tenacity that culminated in Apollo 11 have turned into indifference and cynicism towards space exploration. Moonwalker Buzz Aldrin said on the 25th anniversary that "an eerie apathy now seems to inflict the very generation who witnessed and were inspired by" the moon landing. But "for one crowning moment," said Aldrin, "we were creatures of the cosmic ocean, a moment that 1,000 years hence may be seen as the signature of our century."

They are words that might have been uttered at Woodstock. It was billed the Woodstock Art and Music Festival. The promoters optimistically dreamt that 200,000 might attend. Twice that many appeared. Woodstock became a defining moment, a generational conclave of music lovers, hippies and war protesters. Few paid the $18 price of admission.

Now, 25 years later, the successors of the people Joni Mitchell called the "children of God", have paid $135 (£87) to attend the bigger of two planned rival Woodstock anniversary concerts. The smaller event was cancelled earlier this month after poor ticket sales.

At the remaining event, the one that may have cost $100m, there is an inter-active video theme park. Tickets were delivered by overnight express to prevent counterfeiting. The event had big-company sponsors. There are licensed T-shirts and logos. The music is available on pay-per-view cable television.

Children of God: they gatecrashed the original Woodstock, now they are paying $135 for the sequel

Elliott Landy

The cancelled event, which would have been held 50 miles away in Bethel, New York, had attracted fewer of the original performers, would have cost only $95, and was to have taken place on the authentic sacred ground.

What used to be called the counter-culture has triumphed. Baby boomers live in the White House. And yet the problems that that brash, over-confident youth hoped to overcome have become more intractable and pervasive. Only on the environment is there discernible progress. Smokers and polluters are on the defensive. The concept that planet earth is something to be protected is standard liturgy for school children everywhere.

While America is no longer polarised by Vietnam, civil rights, or capitalism, the social contract is more frayed than ever. The optimism, joy and vision of 1969 have vanished.

The American radicals of the late 1960s looked to rock music for salvation. It was as if Grace Slick and street-fighting Mick Jagger would lead an assault on the capital. These implausible heroes are as embarrassing from the perspective of 1994 as Che Guevara or Ho Chi Minh.

The Grateful Dead survive and prosper 25 years later at least in part because they resisted the temptation to be more than a band.

SPORT / MOTORING

Baseball

Struck out on the field of dreams

Patrick Harverson says a players' strike is ludicrous and should be banned

The Lexington Avenue express is not the only means of getting to Yankee Stadium, but it is by far the most satisfying. The subway train rumbles through Harlem and under the Bronx River to emerge blinking into the sunlight alongside the great ballpark. As the train pulls into the 161st Street station, the appetite is whetted by a tantalising glimpse between the stands of the lush grass in rightfield.

As I stepped off the train last week, I experienced the familiar rush of excitement as thousands of other baseball fans walked up River Avenue to join the long lines at the ticket booths. The division-leading Yankees, who this season have been playing their best baseball in 13 years, were at home to the Cleveland Indians, and Yankee Stadium seemed the perfect place to be in New York on a warm Saturday afternoon in mid-summer.

At $11.50 a seat, watching the Yankees is not cheap, but for that you get an upper deck seat in the sun, three or more hours of major league baseball, and a big, lovely slice of history.

Yankee Stadium is not just any old sports ground. It is known as "The House that Ruth Built", after the great Babe Ruth, whose exploits attracted the huge crowds which ultimately paid for the stadium's construction. When it opened in 1923, Yankee Stadium was the wonder of the sports world, with its imposing entrance and spectacular two-tier stands. It remains so today, even after a mid-1970s face-lift that changed much of the way it looks but which, thankfully, left history intact.

The seats high in the upper deck afforded a splendid view. As the Yankee players jogged out for the opening inning against Cleveland, the bright white of their uniforms sparkled against the green of the outfield and the brown earth of the diamond-shaped basepaths. While the outfielders languidly tossed balls around as they awaited the arrival of the Indians' first batter, I bought a hot dog from one of the vendors who roam the stands shouting "Dawgs – Who Wants Dawgs?" in mustard-thick accents.

Yet my enjoyment of the game was marred by the certain knowledge that the Yankees' great run of 1994 was heading for a premature end. This was not because I had had some premonition that the team was going to stop playing the smart, unfussy baseball that had taken it to the top of the table, but because I knew the team was going to stop playing, full stop.

Just days before the Cleveland game, the players' union had announced plans for an indefinite strike, starting on August 12, to protest against the baseball owners insistence on including in the new labour contract a salary cap – a limit on the total amount each team can pay its players.

The owners, who have been unable to agree among themselves on how to divide baseball's revenues so that the clubs in smaller cities such as Milwaukee, Pittsburgh and San Diego are not forced into extinction trying to compete with the wealthy, big-spending clubs in cities such as New York, Chicago, and Los Angeles, view the salary cap as a way of controlling their rapidly-escalating costs. The players regard the cap as an infringement of the free market and oppose pay limits.

Yesterday, the union made good on its threat, and the 1994 season – so far a marvellous one, full of promise, not just for the Yankees but for other teams, and for several players who are poised to break some of baseball's oldest records – came to an inglorious halt.

The strike is maddening. Irrespective of the merits, or otherwise, of the players' actions, there is something ludicrous about millionaire sportsmen striking against multi-millionaire owners in an argument over money.

As anyone who watches a game or reads the sports pages knows, there is plenty of money in baseball. The average salary for a player is $1.2m (£770,000) a year. Revenues from attendance, television contracts and merchandising total almost $2bn a year. And the 28 teams of Major League Baseball are estimated to be worth a combined $2.5bn. With that much money swilling around, it is remarkable that a way cannot be found to share the bounty of America's national game.

Not only is the strike ludicrous, but there should be a law against it. Indeed, were it any other US sport there would be: earlier this summer, baseball managed to fight off an attempt in Congress to overturn its precious, and unique, exemption from anti-trust laws. Both the owners and the players have overlooked something important in their dispute: the fans. It is they, after all, who pay everyone's wages.

This may be a cliché, but it is true. The players are not paid millions of dollars because a home run, a strike, or a great catch are of themselves valuable commodities. Gold, oil, copper – these are valuable commodities. A home run is valuable because people are willing to pay to see it happen, either in the flesh or on television. If people were not willing to pay to watch big league baseball, players could hit all the home runs they wanted but would still never earn a cent.

Everyone in the business of baseball is party to a three-sided contract between the players, the owners, and the fans. The players have broken that contract. The owners are equally culpable for having made such a hash of their own affairs. The fans should sue.

If they do not sue (and this being America, someone probably will), fans will be left to do what they spend much of the year doing anyway – moaning about the greedy players and greedier owners. A few were energised enough this week to plan a fans' strike, but little came of it. Why? Because fans – the poor pathetic things they are – love baseball, even if baseball does not love them. Thursday was the last chance to see a game before the shutters came down, and hundreds of thousands paid to do just that.

Now the baseball bats are silent. Yankee Stadium should have been alive this Saturday with the sound of 40,000 fans cheering on their team against the world champions from Toronto. Instead, the great ballpark will be deserted. And the Lexington express from Manhattan will rumble past almost empty. All that will be on offer at Yankee Stadium is that inviting glimpse of the lush, green grass in rightfield.

Cricket/Teresa McLean

Blame the weather

Returning from an almost tropical holiday in France, I was not surprised to find everyone in England talking about the hot and humid weather. Especially cricket lovers, since cricket and weather are inseparable and should the cricket fail, the hot weather is an inexhaustible culprit. Should the cricket flourish, hot weather is almost too glorious for words.

Almost, but not quite. On June 16 1932, White Willow of the *Daily Telegraph* reported the game between Essex and Yorkshire at Leyton in majestic style, starting with the weather. "Under the flaming skies of Leyton yesterday Yorkshire's opening batsmen, Holmes and Sutcliffe, were kings of the match from morn till evening, the Essex bowlers and fieldsmen being their abject slaves in a bondage that is not yet ended."

In the first day's sunshine Percy Holmes and Herbert Sutcliffe scored 423 runs. Before lunch on the second day they had scored 555, a world-record first-wicket partnership, whereupon Sutcliffe got himself out. Yorkshire declared at 555 for 1 and "as Holmes and Sutcliffe stood in front of the score-board waiting to be photographed, the figures were altered to 554!"

Spectators, telegrams and messages of protest quickly accumulated, the scorers managed to find an overlooked no-ball and the record was confirmed.

This summer, with glory more elusive in English cricket, the heat was assigned a grimmer role. Scores on the first day of the Hampshire v Gloucestershire match at Portsmouth were in a lower league: Hampshire 192 all out; Gloucestershire 58 for 5. The *Daily Telegraph* began its report on July 15 in angry style: "When 15 wickets fall in a day, it is probably safe to say that the two sides involved are not playing on a shirt front. For a four-day match, this pitch is clearly too dry, having had 15 days with no water whatsoever, either from the heavens or from the groundsmen, sprinkled on it."

Groundsmen, like the turf they tend, find hot weather troublesome. They can always be held responsible for problems it produces on the field of play. Little interference with nature is often seen as wilful neglect, as at Portsmouth or at Edgbaston on May 25. There was no play between Warwickshire and Kent in the Benson and Hedges Cup because the ground was too wet. The cover-all Brumbrella had not been used in case it encouraged a fungal infection that was damaging the grass. Kent lost the "bowl-out" that replaced the game. They were not amused.

On the other hand, interference with nature is often condemned as excessive. Steve Wright, Leicestershire's assistant groundsman, drenched, rolled, then kept dry the wicket at Grace Road ready for his county's game against South Africa on July 30. The wicket was fast and the tourists' captain Kepler Wessels was hit on his painful right arm by a shooter. The tourists' pacemen were on the brink of finishing off Leicestershire's batting when a downpour ended play before tea on the last day. Wessels declared: "The pitch is sub-standard."

In July 1868 there was about an hour of abandoned play in the game between Surrey and Lancashire at the Oval described in match reports as "due to excessive heat". A helpful lady at the Oval said the only reference to weather on her information machine was the break in play in the England v Australia Oval Test a century later, when the crowd helped mop up the rain after a savage cloudburst. It left Derek Underwood enough time to bowl the Australians out and level the series. Not good summer weather, but useful cricketing weather.

"I've got nothing else to say about the weather," sighed the assistant contentedly, "except that everyone here is praying for rain."

At Trent Bridge they were unsure how to apportion the blame between God and rain when their Sunday game against Surrey on July 24 was "typhooned off". The teams carried on playing when heavy rain fell, but gave up when fierce lightning rent the sky. The crowd, I was told, went home wearing bin-liners, but not before one of them had counted 120 flashes of lightning in five minutes.

Storms always make good reading. At the start of June 1975, one official from the Derbyshire weather centre, unwilling to shut out any possibility, forecast: "Sunny periods, scattered showers, sleet or snow on mountains; winds northerly, fresh or strong." Wise man. At Buxton on the first day, Lancashire scored 477 for five declared. On the second day there was the worst summer snow in Britain since 1888. On the third day, play resumed in time for Derbyshire to be all out on a drying wicket, for 42 in the first innings, then 87 in the second and lose by an innings and 348 runs.

Derbyshire's secretary told me that the recent hot spell had not really effected them. They had only played at Derby when the heat-wave was gentle, so there was never any question of "sun stopped play" or "good light stopped play", which the Derby ground has suffered because its wicket faces east-west, into the evening sun. You never know with Derbyshire. Or the weather.

Looking for the scoreboard? Jesper Parnevik lost the Open because he did not know the score. That information is well hidden at the USPGA this weekend — David Cannon

Golf/Derek Lawrenson

You must know the score

They are usually the size of a juggernaut and they are everywhere you look at a major championship. Everywhere, that is, except where the modern player looks. "Scoreboard? What is a scoreboard?"

The one on the 18th hole at Southern Hills is particularly large but, because of a row of giant oaks, has been positioned in such a way as to make its contents unreadable to the players competing in this week's USPGA championship until they reach the final green. But what does it matter anyway when the top young players never seem to want to avail themselves of the wisdom a scoreboard offers?

Consider what has happened at the last two major championships. First, we reeled from Ernie Els's revelation that on the final hole at the US Open he was about to attempt a death or glory blow from the trees without knowing whether it was necessary or not.

Els was lucky. His caddy stopped him just before he was about to embark on his reckless course of action, pointing out that a birdie three was not necessary, the four would win him the tournament and a five would get him into a play-off. Els settled upon the latter figure, won the play-off and is now fêted wherever he goes instead of being ridiculed, as he surely would have been if left to his own devices. As he admitted, on a scale of one to 10, his chances of successfully completing the stroke were no more than one.

But that was as nothing compared to what happened at the Open. There Jesper Parnevik was not nearly so fortunate. He came to the 18th hole leading by no less than two strokes. Not that he knew. There might have been scoreboards everywhere but Parnevik kept the blinkers on.

With his approach shot he went for the flag which was cut just above a sharp incline, with anything falling short resulting in an almost certain bogey. Parnevik fell short. A shot to the "fat" of the green and two putts for a par four would have got him into a play-off even accounting for Nick Price's eagle three on the 17th. Parnevik took five. Only then did he look at the scoreboard. As Price's heroics were recorded, he looked in disbelief.

What is it about this generation of players that they purposefully deprive themselves of what seem to be vital pieces of knowledge?

Every journalist reports a tournament in the same way. Some might concentrate on the personalities of the leading scorers and others write about the golf. But everyone writes in some way about the leader, how he is doing in relation to par, and how the other players are faring. This is always in regard to how far they are behind the pace-setter.

There is hardly a young professional who approaches his round in this way. So they have shot 72 in the first round? They see that they are on level par. So the winning score in such-a-such a tournament is usually 12 under? That means they have to shoot three 68s in the rounds that remain, or variations on that theme.

They never consider themselves to be eight behind the player who has opened with a 64: they are 12 behind their final target. History tells them that the leader is going to endure a humbling last three days, so there is no point worrying about his or her score.

Eight times out of 10 this logic serves them well, but on the final holes of a *major* championship that theory is worthless.

"I don't think I could play the 18th hole of a major without knowing exactly what I needed to score to win," Greg Norman said this week.

Jack Nicklaus said: "I agree with the philosophy of not worrying about what anybody else is doing for the first 63 or so holes of a tournament. I never looked at a scoreboard either. But I always kept a close eye on the scoreboards over the closing holes because – and this depended on how I was doing of course – it would dictate how I played certain shots."

Arnold Palmer said that he always looked at scoreboards wherever they were on a course, whether it was the first hole or the 72nd. He just liked to see how everyone else was doing and whether he was playing as well or as badly as he thought.

One thing is abundantly clear: it is experience of playing a game at this level that teaches a golfer that scoreboards are not just things to keep spectators up to date with what is going on.

It was unfortunate for Parnevik to discover the hard way. But tomorrow evening the leader, after his drive on to the 18th fairway, will have to jog up to the green to discover exactly what is required.

FT expedition

Golden triangle

Arnie Wilson and Lucy Dicker are attempting to ski every day of 1994 on a round-the-world expedition. They are currently in South America.

At 12,000ft up in the Andes, where the Incas once preserved the mummified remains of their nobility, we found a golden triangle of ski resorts glistening beneath the Chilean sun. Not long ago, the mummified body of an Inca child was found on the lower slope of El Plomo (17,810ft).

Today, this peak towers above the twin valleys in which three of South America's best ski resorts are found within a mile or so of each other: La Parva, Valle Nevado and El Colorado. Each is a significant ski area in its own right. Together, they form the biggest and most exciting ski area in South America, less than 40 miles from Santiago.

They are very different in style and terrain. La Parva, where the well-to-do of Santiago have second or even third homes, has some of the most challenging and varied skiing. It has no hotel, but one is planned.

Valle Nevado is an upmarket, expensive French-owned resort with excellent open-bowl skiing. The resort complex is built above the Valle del Cepo, a vast snowy ravine, which is not part of the ski area. Nevertheless, skiers occasionally stray into the valley by mistake, and the resort maintains a refuge stocked with basic rations to provide shelter until a third party can reach them.

El Colorado, arguably Chile's biggest ski area, mainly attracts day-trippers. It has some sublime off-piste skiing, with the steep powder-fields of Santa Teresita stretching more than two miles down to the road that snakes its way up to Valle Nevado. But you need to arrange transport back, and preferably a guide (ours was Orlando Diaz, head of the ski patrol).

Between them the three areas have more than 100km of skiing and more than 40 lifts. They are linked but as yet do not have a simple Three-Valleys-style lift ticket.

Although it is easy to ski from Valle Nevado – which attracts an international clientele – to each of the other two, direct access between La Parva and El Colorado is not so clear cut, partly because of rivalry: both are vying for local skiers from Santiago.

No other capital city in the world has so much skiing on its doorstep as Santiago. Not much further afield is Portillo right on the Argentine border and the Trans-Andean (Uspallata) pass which provides access via Mendoza to Las Lenas and some of the best skiing in Argentina.

Arnie Wilson

MOTORS

LEXUS

1994 M LS400, Boston Green	£List
1992 K LS400, Deauville Blue	£28995
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Motoring/Stuart Marshall

A sporting treble from Honda

The NSX is pure indulgence – a wonderful toy

There is a scurrilous rumour, spread by young men whose favourite reading matter is go-faster motoring magazines, that all Honda cars leave the factory with an orange disabled parking sticker on the windscreen and a Zimmer frame in the boot.

This is as untrue as it is unfair. Of course, people with the wisdom that comes only with age do buy lots of Hondas. They know they are reliable, hold their value, and combine the refinement of the Jaguars and large Rovers they once drove with running costs a pensioner can afford. It would have been amusing to have had a member of the "Hondas are fit only for the well over-60s" brigade sitting beside me for the last three weeks.

I have been enjoying entertaining (though safe and responsible) motoring in a trio of Honda coupés. You might call them Honda's sporting treble.

First, the Civic Coupé. A cynic would dismiss this pretty, semi-sporting four-seater with a realistic boot as a sheep in wolf's clothing but that is to miss its point. A lot of people are buying cars mainly because they like their looks and can afford the price.

The Civic coupé looks as if it would be a high performer. In fact, it goes well, but no better than the Civic hatchback or saloon whose mechanical bits and pieces (1.5-litre, 16-valve engine and five-speed manual or four-speed automatic transmission) it shares. Power steering is standard.

Its suspension is reasonably taut and handling reactions agreeably quick. On some road surfaces there is a surfeit of tyre noise but this little coupé – made in Honda's US factory to traditional Japanese quality standards – is really quite urbane in character. One could use it for commuting or shopping in the week and head for the open road – should you be lucky enough to find one – at the weekend. It would perform either role just as capably.

The price is the pleasantest surprise of all; from £10,900 (manual) or £11,670 (automatic) and its fuel consumption up to 39mpg or 7.5 l/100km). Grandmas and women in their 20s alike fell for its charms while I had it on test.

Next, I moved on to the latest £21,445 Honda Prelude with a 2.2-litre V-TEC engine. V-TEC stands for variable valve timing and lift electronic control. What it does is to endow an engine with a benign form of schizophrenia. At low speeds it thinks it is a carthorse, at high speeds a racehorse. The result is that you can drive the Prelude at 30mph in 5th gear without a hint of protest. But floor the accelerator in second or third, see the rev counter needle flick past 5,000rpm, and the engine totally changes character. There is a musical rasp from the exhaust and the quiet, easy-going plodder becomes a sprinter.

Honda claims a top speed of 140mph/225kph and 0-60mph (0-96kph) acceleration in 7.1 seconds. In the real world of speed limits, it is the Prelude's other virtues that impress. For example, the unique electronic all-wheel steering. This makes it almost disconcertingly nimble in town traffic and takes the threat of tail-wag out of emergency manoeuvres on wet roads.

This beautifully built four-seater (children fit better in the back than adults) comes with air conditioning, anti-lock brakes, twin airbags and powered sunroof. It will do around 31mpg (9.1 l/100km) – providing the V-TEC engine is not in racehorse mode too often.

Finally, the NSX is a true supercar, in the same performance class as a Ferrari. It is made almost entirely from aluminium alloys – the technology is more aerospace than automotive – and the engine is a 270 horsepower V6 3-litre with V-TEC. I had driven it previously on the de-restricted German autobahn and on the banked high-speed circle at Millbrook proving ground in Bedfordshire. So I knew that the faster it went, the safer it felt and that Honda's claimed 160mph/257kph maximum was attainable.

But this time I used it in the real world of main roads with speed cameras and country lanes where a tractor and trailer or a child on a pony could be round the next corner. It is incredibly easy to drive, with quite a light clutch, precise gearshift, power steering with maximum assistance at low speed, diminishing as you go faster, anti-lock brakes and electronic traction control. I found the driving position perfect.

Just like the Prelude, it trickled down to my local supermarket in top, ran with suppressed eagerness in the motorway pack and drifted unprotestingly through the lanes of Kent and Sussex.

The ultra-squat and hugely grippy tyres thump a good deal and on concrete-paved motorways their roar half-drowns the radio. At an angled junction, visibility to the rear quarter is poor.

Driven like a normal car, the NSX will give about 26-27mpg (10.6 l/100km) on a journey. Looked at with a cold and logical eye, it is a pure indulgence. But what a wonderful toy. One final thought. If cars were watches, all Hondas would be chronometers.

TELEVISION

SATURDAY

BBC1

7.25 News. 7.30 Felix the Cat. 7.45 Joe 90. 8.10 The Adventures of Skippy. 8.35 SWAT Kats. 9.00 Parallel 9.

10.55 Film: Barnaby and Me. Family comedy. Sid Caesar and Juliet Mills star (TVM 1977).
12.28 Weather.
12.30 Grandstand. Introduced by Steve Rider. 12.35 Athletics: The penultimate day of the European Championships in Helsinki. 1.00 News. 1.05 Football. 1.15 Motor Racing: The final qualifying session for tomorrow's Hungarian Grand Prix. 1.25 Women's Golf: Coverage of the British Open from Woburn. 1.45 Equestrianism: British Open Championships action from Gatcombe Park. 1.55 Racing from Newbury: The 2.00 Manton St Hugh's Stakes. 2.05 Equestrianism. 2.55 Racing: The 3.00 Tripleprint Geoffrey Freer Stakes. 3.05 Women's Golf. 3.25 Racing: The 3.30 Harcros Timber and Building Supplies Stayers Championship Series Handicap. 3.35 Women's Golf 4.10 Athletics. 4.40 Final Score. 4.55 Athletics.
5.30 News.
5.40 Regional News and Sport.
5.45 Cartoons.
6.00 Pets Win Prizes. Rats, snails, birds and sheep compete in the offbeat game show.
6.40 A Word in Your Ear. Kate Copstick, Gyles Brandreth, Sybil Ruscoe and Colin Baker compete in the verbal communication game.
7.10 Film: Return from Witch Mountain. Disney fantasy adventure, starring Bette Davis and Christopher Lee (1978).
8.40 News and Sport; Weather.
9.00 One Foot in the Grave. Victor Meldrew stares disaster in the face when a conjuring trick goes horribly wrong. With Richard Wilson and Annette Crosbie.
9.30 Police Rescue. Angel fears he may be turning out like his violent father after lashing out at new wife Helena in a fit of jealousy.
10.20 Film: Quigley Down Under. Western adventure, starring Tom Selleck as a self-assured sharpshooter who goes to work for a tyrannical landowner in the Australian Outback (1990).
12.15 Flesh and Blood. Second of a two-part documentary tracing the history of Hammer films.
1.05 Film: The Perfect Weapon. Thriller, starring Jeff Speakman and John Dye (1991).
2.30 Weather.
2.35 Close.

BBC2

6.00 Open University. 12.15 pm Gunsmoke. 1.00 Craftsmen.

1.15 The Essential History of the Troubles. Representatives from both sides of the dispute give their views on the violence and suggest ways of achieving long-term peace.
2.15 Ways of Seeing. John Berger examines how traditional artistic techniques were altered by the introduction of oil paint in the early 15th century.
2.45 Film: Rockets Galore. The tranquillity of a small Scottish island is shattered by plans to build a missile base. Comedy, starring Donald Sinden and Jeannie Carson (1957).
4.15 Golf and Athletics. Golf: The third round of the Women's British Open from Woburn. Athletics: The penultimate day of the European Championships in Helsinki, where Linford Christie is due to lead an all-star British line-up in the final of the men's sprint relay.
6.00 Showcase Series. Film following scientists as they study the behaviour of seals.
6.30 Athletics: European Championships. Further coverage from Helsinki, including the semi-finals of the men's 4x400m relays. Commentary by David Coleman, Stuart Storey, Brendan Foster and Paul Dickenson.
7.30 TV Troubles: Hang Up Your Brightest Colours. Kenneth Griffith's controversial profile of IRA leader and Irish hero Michael Collins, who first came to prominence in the Easter Rising of 1916 and died only six years later at the age of 32.
8.55 The Turn of the Screw. David Hemmings introduces Scottish Opera's lavish production of Benjamin Britten's work, adapted from the story by M.R. James, about a governess (Anne Williams-King) thrown into emotional turmoil by supernatural forces.
10.55 Screen Two: The Grass Arena. Award-winning drama about a once-promising boxer, brought down by alcohol abuse and clashes with the law, who gets a new chance in life after discovering he has a talent for chess. Mark Rylance stars.
12.25 Film: The Big Knife. Drama about a depressed Hollywood film star blackmailed into signing a new contract. Jack Palance and Ida Lupino star (1955).
2.15 Close.

LWT

6.00 GMTV. 9.25 Gimme 5. 11.30 The ITV Chart Show. 12.30 pm Starting from Scratch.

1.00 ITN News; Weather.
1.05 London Today; Weather.
1.10 Movies, Games and Videos. Reviews of True Lies, starring Arnold Schwarzenegger and Jamie Lee Curtis, and Wayne's World II, with Mike Myers and Dana Carvey.
1.40 WCW Worldwide Wrestling.
2.40 Life Goes On.
3.35 Burke's Law.
4.40 ITN News and Results; Weather.
5.00 London Today and Sport; Weather.
5.20 Time Trax. Darien infiltrates a business run by two technical geniuses planning to hack into the US Treasury's computer system. SF action, starring Dale Midkiff.
6.10 Scavengers. John Leslie leads contestants from Dorking, North Yorkshire, London and Colchester into a futuristic environment designed to test their abilities to the limit.
7.10 Celebrity Squares. Contestants from Ellesmere Port and Norwich compete for cash and cars, helped by celebrities including Gorden Kaye, Frank Bruno and Caron Keating.
7.40 Film: Columbo: Caution – Murder Can Be Hazardous to Your Health. The host of a TV crime show bumps off a former partner – but reckons without the intervention of the shabbily dressed detective. Peter Falk and George Hamilton star.
9.20 ITN News; Weather.
9.35 London Weather.
9.40 Film: Suspect. Cher stars as a legal eagle who takes the case of a deaf-mute Vietnam veteran accused of murder. Courtroom drama, with Dennis Quaid and Liam Neeson (1987).
11.55 Film: Descent into Hell. French thriller about a writer involved in bloody goings-on. Claude Brasseur and Sophie Marceau star (1986).
1.30 Tour of Duty.
2.25 Get Stuffed; ITN News Headlines.
2.30 The Big E.
3.25 Get Stuffed; ITN News Headlines.
3.30 New Music.
4.30 BPM.; Night Shift.

CHANNEL4

5.00 4-Tel on View. 6.35 Early Morning. 10.00 Trans World Sport. 11.00 Gaelic Games. 12.00 The Big 8. 12.30 pm Much Urdu: Three Plays (English subtitles).

1.10 Film: Folly to be Wise. Comedy, starring Alastair Sim as an army entertainments officer trying to brighten the troops' lives by staging a public debate (1952).
2.50 Film: The Pure Hell of St Trinians. The outrageous girls' school is visited by an Arab sheikh seeking a harem. Comedy, starring George Cole and Joyce Grenfell (1961).
4.30 Mouse Soup.
5.05 Brookside.; News Summary.
6.30 Right to Reply Special. Debate on last Sunday's controversial episode of documentary The Valour and the Horror, which investigated Canadian airmen's involvement in RAF Bomber Command during the second world war, questioning the morality of Commander Arthur Harris's decision to target German cities. The programme's writer and director Brian McKenna discusses its content with an invited studio audience, including veterans and military historians.
7.00 The People's Parliament. Lesley Riddoch chairs a discussion on whether non-essential vehicles should be banned from city centres as Britain is gripped by an asthma epidemic linked to exhaust fumes. Would such a step reduce air pollution and congestion or merely cause resentment among car owners? Speakers include Professor Rolf Monheim, and RAC public policy and communications manager Rosemarie Graham.
8.00 Film: None But the Brave. American servicemen crash-land on a remote Pacific island already occupied by Japanese soldiers. Second world war adventure, starring Frank Sinatra (1965).
10.00 Blue Heaven. Frank contemplates the end of Blue Heaven – until Mum reveals a secret from her past.
10.30 The Best Intentions. Henrik is nominated for the post of hospital chaplain, but does not share Anna's conviction that it would be a good move. Last in series. (English subtitles).
12.05 Late Licence.
12.15 Herman's Head.
12.45 Just for Laughs.
1.15 825 Live: PJ Harvey.
1.50 Passengers.
2.50 Beavis and Butt-Head.
3.20 Packet of Three.
4.00 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA:
12.30 Movies, Games and Videos. 1.05 Anglia News. 1.10 Nigel Mansell's IndyCar '94. 1.40 The Fighting Prince of Donegal. (1966) 3.45 Knight Rider. 5.00 Anglia News and Sport 9.35 Anglia Weather. 11.55 The Ghost of Flight 401. (TVM 1978)

BORDER:
12.30 Movies, Games and Videos. 1.05 Border News. 1.10 Get Wet. 1.40 Nigel Mansell's IndyCar '94. 2.10 Escape of the Amethyst. (1957) 3.55 Superstars of Wrestling. 5.00 Border News and Weather 5.15 Border Sports Results. 11.55 The Ghost of Flight 401. (TVM 1978)

CENTRAL:
12.30 America's Top 10. 1.05 Central News 1.40 Zoo Life with Jack Hanna. 2.10 Knight Rider. 3.00 WCW Worldwide Wrestling. 3.50 The Fall Guy. 5.00 Central News 5.05 The Central Match – Goals Extra. 9.35 Local Weather. 11.55 Baywatch.

GRAMPIAN:
12.30 Cruinne-Ce. 1.05 Grampian Headlines 1.10 Telefios. 1.40 The Littlest Hobo. 2.10 Asterix the Gaul. (1967) 3.25 Nigel Mansell's IndyCar '94. 3.55 Superstars of Wrestling. 5.00 Grampian Headlines 5.05 Grampian News Review. 9.35 Grampian Weather. 11.55 The Ghost of Flight 401. (TVM 1978)

GRANADA:
12.30 Movies, Games and Videos. 1.05 Granada News 1.10 Get Wet. 1.40 Nigel Mansell's IndyCar '94. 2.10 Escape of the Amethyst. (1957) 3.55 Superstars of Wrestling. 4.55 Granada News 5.00 Bugs Bunny. 11.55 The Ghost of Flight 401. (TVM 1978)

HTV:
12.30 Movies, Games and Videos. 1.05 HTV News. 1.10 Nigel Mansell's IndyCar '94. 1.40 Sheena. (1984) 3.45 Adventure. 4.10 The Mountain Bike Show. 5.00 HTV News and Sport 9.35 HTV Weather. 11.55 The Ghost of Flight 401. (TVM 1978)

MERIDIAN:
12.30 The Littlest Hobo. 1.05 Meridian News. 1.10 Best of British Motor Sport. 1.40 Sail Great Britain. 2.10 Cartoon Time. 2.20 High School USA. (TVM 1983) 4.10 The Munsters Today. 5.00 Meridian News. 11.55 Crime Story.

SCOTTISH:
12.30 Extra Time. 1.05 Scotland Today. 1.10 Telefios. 1.40 Eileannan Iomhais. 2.10 Sea Devils. (1981) 3.45 Cartoon Time. 3.55 The New Scooby Doo Movies. 5.00 Scotland Today 5.05 Cartoon Time. 9.35 Scottish Weather. 11.55 BL Stryker: Grand Theft Hotel. (TVM 1989)

TYNE TEES:
12.30 Movies, Games and Videos. 1.05 Tyne Tees News. 1.10 The Fall Guy. 2.05 Cactus Jack. (1979) 3.45 Knight Rider. 4.55 Tyne Tees Saturday 5.10 Cartoon Time. 11.55 Morons from Outer Space. (1985)

WESTCOUNTRY:
12.30 Movies, Games and Videos. 1.05 Westcountry News. 1.10 Nigel Mansell's IndyCar '94. 1.40 High School USA. (TVM 1983) 3.25 Cartoon Time. 3.40 Baywatch. 5.00 Westcountry News 9.35 Local Weather. 11.55 The Ghost of Flight 401. (TVM 1978)

YORKSHIRE:
12.30 Movies, Games and Videos. 1.05 Calendar News. 1.10 The Fall Guy. 2.05 Cactus Jack. (1979) 3.45 Knight Rider. 4.55 Calendar News. 5.10 Cartoon Time. 11.55 Morons from Outer Space. (1985)

SUNDAY

BBC1

7.20 News. 7.25 Athletics: European Championships. 9.50 Summer Sunday. 10.35 See Hear!

11.05 Film: Wichita. Action-packed Western, starring Joel McCrea as Wyatt Earp (1955).
12.25 Cartoon.
12.30 CountryFile.
12.55 Weather for the Week Ahead; News.
1.00 Athletics: European Championships. Coverage of the final day's events from the Olympic Stadium in Helsinki.
3.30 EastEnders.
4.50 Junior Masterchef. New series. Loyd Grossman invites young cooks to demonstrate their skills, with judges Gary Rhodes and Ulrika Jonsson tasting the results.
5.20 The Great Antiques Hunt. New series. Amateur antique enthusiasts are set tasks and challenges by David Battie, John Bly and Eric Knowles, including spotting reproductions, and buying items to sell at a profit.
6.05 News.
6.25 Summer Praise. David Matthew and Jumoke Fashola attend a jazz church service and festival in Upton-upon-Severn, Worcestershire. Hymns include Down by the Riverside.
7.00 Small Talk.
7.30 2point4 Children.
8.00 The Tales of Para Handy. Comedy, starring Gregor Fisher.
8.50 News and Weather.
9.05 A Fatal Inversion. The discovery of bodies at the hall prompts Adam and Rufus to compile a list of people who could expose their terrible secret. Ruth Rendell's psychological thriller, starring Douglas Hodge and Jeremy Northam.
10.05 Mastermind.
10.40 Everyman. Profile of controversial psychologist Jim Goodwin, whose enthusiastic advocacy of the anti-depressant Prozac has led some experts to question his professional competence.
11.20 Football and Athletics. Football: Highlights of Manchester United v Blackburn Rovers in the FA Charity Shield from Wembley. Athletics: The final events of the 1994 European Championships from Helsinki.
12.30 Film: Hands of the Ripper. Gory thriller, starring Angharad Rees (1971).
1.55 Weather.
2.00 Close.

BBC2

6.15 Open University. 9.10 Litt' Bits. 9.35 Spacevets. 9.50 Eek the Cat. 10.15 The Really Wild Guide to Britain. 10.40 Teenage Mutant Hero Turtles. 11.05 Dynamite. 11.20 Bay City. 11.45 Grange Hill. 12.15 pm The O Zone.

12.30 Sunday Grandstand. Introduced by Steve Rider. 12.35 Motor Racing: Live coverage of the Hungarian Grand Prix from the Hungaroring. 3.05 Women's Golf: The final round of the British Open from Woburn. 5.30 Athletics: A look back at the best moments from the European Championships in Helsinki. Times may vary. Subsequent programmes may run late.
6.30 Rough Guide to the World's Islands. Magenta de Vine and Rajan Datar explore the roots of reggae in Jamaica. Last in series.
7.20 The Score. The popularity of contemporary religious music, and the debilitating effects of nervous tension on orchestral players.
8.00 Under the Sun. Cameraman Frederic Labourasse's film following a 13-year-old boy living on Indonesia's remote Mentawai islands, as he returns from a catholic missionary school to be reunited with his sorcerer father – an occasion when the results of a western education contrast starkly with traditional religious ceremonies. Last in series.
8.50 Monty Python's Flying Circus. Classic comedy. Sketches include It's the Arts and Twentieth Century Vole.
9.20 The Dead. Families devastated by the Troubles in Northern Ireland reveal how their loved ones became victims of the 25-year conflict. Among the relatives providing moving testimonies are a woman whose three sons were shot dead while watching TV and the father of a British soldier killed during a routine patrol.
10.20 Grand Prix. Highlights of the Hungarian Grand Prix from the Hungaroring.
11.00 Moviedrome. Alex Cox introduces tonight's first film.
11.05 Film: To Sleep with Anger. A black family is affected by the reappearance of an old friend. Drama, starring Danny Glover, Paul Butler and Mary Alice (1990).
12.45 Moviedrome.
12.50 Film: Contempt. A young dramatist's eyes are opened to the world of film-making in Jean-Luc Godard's movie satire, starring Fritz Lang, Brigitte Bardot and Jack Palance (1963).
2.35 Close.

LWT

6.00 GMTV. 9.25 The Littlest Hobo. 10.15 Link. 10.30 Sunday. 11.00 Morning Worship. 12.00 Sunday. 12.30 pm An Invitation to Remember. 12.55 London Today; Weather.

1.00 ITN News; Weather.
1.10 100 Women. All-female debate chaired by Sheena McDonald.
2.00 Highway to Heaven.
2.55 Cartoon Time.
3.10 Film: Charley and the Angel. A man changes his hard-hearted ways after learning he only has a short time left to live. Sentimental Disney comedy, starring Fred MacMurray and Kurt Russell (1973).
5.00 City Safari. The survival of the great crested grebe, a bird hunted to near extinction in the 19th century, which now thrives on park lakes all over London.
5.30 The London Programme. Public transport workers who drink and drive, risking the lives of their passengers.
6.00 London Tonight; Weather.
6.20 ITN News; Weather.
6.30 Dr Quinn: Medicine Woman. Mike is given a horse by the Cheyenne and decides to enter it in a high-stakes race – only to be turned away by the rules committee because she is a woman.
7.30 Watching.
8.00 Wycliffe. The discovery of a body at a ramshackle farm alerts detective Charles Wycliffe to the fact that a murderer is at large in the wilds of rural Cornwall.
9.00 Framed. Timothy Dalton stars as a supergrass on the run in this feature-length version of Lynda La Plante's psychological thriller.
11.00 ITN News; Weather.
11.10 London Weather.
11.15 The Greatest Show on Earth – Edinburgh Festival '94. Fly-on-the-wall documentary following rehearsals and preparations for the world's biggest arts celebration.
12.15 The Restaurant Show.
12.45 Married - With Children.
1.15 Get Stuffed; ITN News Headlines.
1.20 Film: Liberace. Biopic of the flamboyant pianist, starring Andrew Robinson (TVM 1988).
3.05 Cue the Music.
4.05 Get Stuffed; ITN News Headlines.
4.10 Film: Weekend of Terror. Thriller, starring Lee Majors (TVM 1970).

CHANNEL4

6.10 Early Morning. 9.45 The Odyssey. 10.15 Saved by the Bell. 10.45 Rawhide. 11.45 Little House on the Prairie.

12.30 Film: Rhapsody in Blue. Biopic of legendary American composer George Gershwin. Robert Alda, Joan Leslie, Alexis Smith and Oscar Levant star (1945).
3.15 Saint Mugg: The Making of a TV Saint. The late Malcolm Muggeridge's progress from political satirist to religious crusader.
4.15 J'Accuse. Writer Russell Davies argues that Laurence Olivier's legendary acting talents have been over-rated.
4.45 News Summary.
4.50 Film: Stars and Stripes Forever. Musical biopic chronicling the life of American composer John Philip Sousa, who started as a bandmaster in the marines and went on to achieve great success as a writer of marches. Starring Clifton Webb and Debra Paget and Robert Wagner (1952).
6.30 The Cosby Show.
7.00 The Valour and the Horror. Final part. The mistakes, poor leadership and sheer bad luck which led to the Canadians sustaining their worst losses of the second world war in the battle for Verrieres Ridge. In the final film of this controversial series, two veterans who went on to hold high military office revisit Normandy where, as young officers, they had to lead their men in the hopeless attack against bigger and better equipped forces.
9.00 Film: Cat Ballou. Lee Marvin gives an Oscar-winning performance in two roles, as a drunken gunfighter and a ruthless outlaw who come into conflict over a ranch. Western spoof, also starring Jane Fonda, Michael Callan, Nat King Cole and Stubby Kaye. Part of the Saddle Up season (1965).
10.45 Film: Woodstock. Oscar-winning film documenting the legendary outdoor rock festival held in 1969, featuring performances by Jimi Hendrix, Joe Cocker and The Who (1970).
2.05 Close.

REGIONS

ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:-

ANGLIA:
9.25 The Leftovers. 12.30 Countrywide. 12.55 Anglia News. 2.00 Father Dowling Investigates. 3.00 Mini. 3.40 Carly's Web. (1987) 5.30 Heirloom. 6.00 Anglia News on Sunday 11.10 Anglia Weather.

BORDER:
9.50 Zorro. 12.30 Gardener's Diary. 12.55 Border News. 2.00 Carry On Cruising. (1962) 3.35 Vanishing Act. (TVM 1986) 5.20 Coronation Street. 6.15 Border News.

CENTRAL:
9.25 The Leftovers. 12.25 Central Newsweek. 12.55 Central News 2.00 International Air Tattoo. 2.50 The Central Match – Live! 5.05 Road Runner. 5.20 Murder, She Wrote. 6.15 Central News 11.10 Local Weather.

CHANNEL:
9.25 Fraggle Rock. 9.50 James Bond Jnr. 12.30 Reflections. 12.35 Rendez Vous Dimanche. 12.50 Telejornal. 2.00 The Mountain Bike Show. 2.30 The Meridian Match. 3.15 Hellinger's Law. (TVM 1980) 5.00 Cartoon Time. 5.20 Highway to Heaven. 6.15 Channel News.

GRAMPIAN:
9.25 The Leftovers. 11.00 Sunday Service. 11.45 Eikon. 12.30 Gardener's Diary. 12.55 Grampian Headlines. 3.00 Movies, Games and Videos. 3.30 Bowls: The Scottish Masters. 4.30 North Tonight Special. 5.00 Scotsport. 6.15 Grampian Headlines 11.10 Grampian Weather.

GRANADA:
9.50 Zorro. 12.25 Gardener's Diary. 12.55 Granada News 2.00 Carry On Behind. (1975) 3.35 Vanishing Act. (TVM 1986) 5.20 Dr Quinn: Medicine Woman. 6.15 Granada News 6.30 Coronation Street.

HTV:
9.25 The Leftovers. 12.25 The Littlest Hobo. 12.55 HTV News. 2.00 Limited Edition. 2.30 The West Match. 3.00 Mr Hobbs Takes a Vacation. (1962) 5.15 On Your Street. 5.45 Great Westerners. 6.15 HTV News. 11.10 HTV Weather.

HTV Wales as HTV except:
12.25 Heart and Soul. 2.00 Welsh Learner of the Year. 2.30 On the Road with Elinor. 5.15 Out of School. 5.45 Ready Money.

MERIDIAN:
9.25 Fraggle Rock. 9.50 James Bond Jnr. 12.30 COPS. 12.50 Meridian News. 2.00 The Mountain Bike Show. 2.30 The Meridian Match. 3.15 Hellinger's Law. (TVM 1980) 5.00 Cartoon Time. 5.20 Highway to Heaven. 6.15 Meridian News.

SCOTTISH:
9.25 The Leftovers. 11.00 Sunday Service. 11.45 Eikon. 12.30 Skoosh. 12.55 Scotland Today. 2.00 Battle of the Bulge. (1965) 4.45 Around the World in 15 Minutes with Peter Ustinov. 5.00 Scotsport. 6.15 Scotland Today 11.10 Scottish Weather.

TYNE TEES:
9.25 The New Adventures of Black Beauty. 9.50 Zorro. 12.25 Newsweek. 12.50 Tyne Tees News. 2.00 The Tyne Tees Match. 2.55 The Truth About Spring. (1964) 4.50 MacGyver. 5.50 Tyne Tees Weekend. 11.10 Local Weather.

WESTCOUNTRY:
9.50 Zorro. 12.30 Westcountry Update. 12.55 Westcountry News. 2.15 Special Report: The Sunfactor. 2.45 Brief Encounters. 3.15 Robbery. (1967) 5.15 Murder, She Wrote. 6.15 Westcountry News 11.10 Westcountry Weather.

YORKSHIRE:
9.25 The New Adventures of Black Beauty. 9.50 Zorro. 12.25 Newsweek. 12.50 Calendar News. 2.00 Cricket. 5.50 Calendar 11.10 Local Weather.

RADIO

SATURDAY

BBC RADIO 2
6.00 Sujata Barot. 8.05 Brian Matthew. 10.00 Judi Spiers. 12.00 Hayes on Saturday. 1.30 Jimmy's Cricket Team. 2.00 The Golden Days of Radio. 3.00 Ronnie Hilton. 4.00 Getting Back to the Garden. 5.00 Nick Barraclough. 6.00 On Stage: Elaine Paige. 7.00 100 Years of the Movies. 7.30 George Shearing. 9.30 David Jacobs. 10.00 The Arts Programme. 12.05 Ronnie Hilton. 1.00 Charles Nove. 4.00 Sujata Barot.

BBC RADIO 3
6.30 Open University: Talking About the Enlightenment.
6.55 Weather.
7.00 Saturday Morning Concert.
9.00 Prom News. John Eliot Gardiner's Wednesday Prom.
9.30 Record Release. Walton, Carl Stamitz, Weber, Mozart, Cerha, H.K. Gruber, Honegger.
12.00 Spirit of the Age.
1.00 Into the Garden.
1.15 Mirella Freni.
3.45 Murray McLachlan.
5.00 Jazz Record Requests. With Geoffrey Smith.
5.45 Key Questions. With Nigel Kennedy.
6.30 Alfredo Hodgson, Vaughan Williams and Barber.
7.30 BBC Proms 1994. Britten and Beethoven.
9.15 Studio 3: Frank Pig Says Hello. Psychological thriller, by Patrick McCabe.
10.00 Illinois Jacquet. The tenor saxophonist recorded in concert.
12.30 Close.

BBC RADIO 4
6.00 News.
6.10 The Farming Week.
6.50 Prayer for the Day.
7.00 Today.
9.00 News.
9.05 Sport on 4.
9.30 Breakaway.
10.00 Pack the Book.
10.30 The Lipman Test.
11.00 Talking Green Politics.
11.30 From Our Own Correspondent.
12.00 Inside Money.
12.25 A Look Back at the Future.
1.00 News.
1.10 Have Your Say.
2.00 Photo Appreciated.
2.30 Playhouse: Victory. By Guy Meredith.
3.45 Fit Ups, Portables and Basket Cases.
4.00 History on the Hoof.
4.30 Science Now.
5.00 File on 4.
5.40 Six of Clubs. The Women's Institute.
6.00 News and Sports.
6.25 These Were These Five Irish Persons.
6.50 Ad Lib in Australia. Melbourne's trams.
7.20 Kaleidoscope Feature.
7.50 Saturday Night Theatre: The Jaunt. By Roderick Graham.
9.20 Music in Mind.
9.50 Ten to Ten.
10.00 News.
10.15 Looking Forward to the Past. Historical discussion.
10.45 A Likely Story?
11.00 A Night at the Opera. With Christopher Lee.
11.30 Erotica. The power of erotic writing.
12.00 News.
12.33 Shipping Forecast.
12.43 (FM) Close.
12.43 (LW) As World Service.

BBC RADIO 5 LIVE
6.05 Dirty Tackle.
6.30 The Breakfast Programme.
9.05 Weekend with Kershaw and Whittaker.
11.05 Special Assignment.
11.35 The Ad Break.
12.00 Midday Edition.
12.15 Sportscall.
1.04 Sport on Five.
6.06 Six-O-Six.
7.35 Saturday Edition.
9.05 Asian Perspective.
9.35 Out This Week.
10.05 The Treatment.
11.00 Night Extra.
12.05 After Hours.
2.00 Up All Night.

WORLD SERVICE
BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m) at these times BST:

6.00 Morgenmagazin. 6.30 Europe Today. 7.00 News. 7.15 The World Today. 7.30 Meridian. 8.00 News. 8.15 Waveguide. 8.25 Book Choice. 8.30 Power and Disorder. 9.00 News. 9.09 Words of Faith. 9.15 A Jolly Good Show. 10.00 World News and Business Report. 10.15 Worldbrief. 10.30 Development 94. 10.45 Sports. 11.00 News; Jazz Now and Then. 11.15 Letter from America. 11.30 BBC English. 11.45 Mittagsmagazin. 12.00 Newsdesk. 12.30 Meridian. 1.00 News. 1.09 Words of Faith. 1.15 Multitrack Alternative. 1.45 Sports. 2.00 Newshour. 3.00 News; Sportsworld. 4.00 News. 4.15 BBC English. 4.30 Heute Aktuell. 5.00 News. 5.15 Sportsworld. 6.00 BBC English. 6.30 Heute Aktuell. 7.00 News and features in German. 8.00 News and Interlude. 8.15 Proms '94. 9.15 News; Sportsworld. 9.30 Meridian. 10.00 Newshour. 11.00 News. 11.05 Words of Faith. 11.10 Book Choice. 11.15 Jazz for the Asking. 11.45 Sports. 12.00 Newsdesk. 12.30 Best on Record. 1.00 News. 1.15 Good Books. 1.30 The John Dunn Show. 2.00 News; Play of the Week: Night Mother. 3.00 Newsdesk. 3.30 Media Magnates. 4.00 Newsdesk. 4.30 BBC English. 4.45 News and Press Review in German.

SUNDAY

BBC RADIO 2
7.00 Don Maclean. 9.05 Bob Holness Requests the Pleasure. 10.30 Hayes on Sunday. 12.00 David Jacobs. 2.00 Benny Green. 3.00 Alan Dell. 4.00 It's Your Radio 2. 4.30 Sing Something Simple. 5.00 Charlie Chester. 7.00 Richard Baker. 8.30 Sunday Half Hour. 9.00 Alan Keith. 10.00 Calling on Elvis. 12.05 Steve Madden. 3.00 Alex Lester.

BBC RADIO 3
6.30 Open University: Animal Physiology. 6.55 Weather.
7.00 Sacred and Profane.
9.00 Brian Kay's Sunday Morning.
12.30 Full Score.
1.00 Musical Tales: The Nutcracker.
1.15 The Sunday Concert.
2.45 Tasmin Little at the Wigmore Hall.
4.05 The BBC Orchestras. Rossini, Gershwin, Strauss, John Adams.
5.35 Music for Guitar. Albeniz arr Segovia, Tansman, Castelnuovo-Tedesco, Segovia, Turina.
6.05 Interpretations on Record. Versions of Handel's Julius Caesar.
7.05 Prom News. John Eliot Gardiner's Wednesday Prom.
7.30 BBC Proms 1994. John Tavener.
9.40 Sunday Play: The Gigli Concert. By Tom Murphy.
11.45 Purcell Quartet. Vivaldi.
12.30 Close.

BBC RADIO 4
6.00 News.
6.10 Prelude.
6.30 Morning Has Broken.
7.00 News.
7.10 Sunday Papers.
7.15 On Your Farm.
7.40 Sunday.
8.50 The Week's Good Cause.
9.00 News.
9.10 Sunday Papers.
9.15 Letter from America.
9.30 Morning Service.
10.15 The Archers. Omnibus.
11.15 Mediumwave.
11.45 Derek Cooper's Necessary Pleasures.
12.15 In the Psychiatrist's Chair.
1.00 The World This Weekend.
2.00 Gardeners' Question Time.
2.30 Classic Serial: The Expedition of Humphry Clinker.
3.30 Pick of the Week.
4.15 Winning Rights.
5.00 My Father's Land.
5.30 Poetry Please!
6.00 Six O'Clock News.
6.15 Feedback.
6.30 Children's Radio 4: My Sister's a World Class Kleptomaniac. Joe Turner's comedy about growing up.
7.00 Barging across Europe.
7.30 The Airport.
8.00 (FM) History on the Hoof.
8.00 (LW) Open University.
8.30 (FM) Reading Aloud.
9.00 (FM) The Natural History Programme.
9.30 (FM) Costing the Earth.
10.00 News.
10.15 Hidden Voices.
10.45 No Triumph, No Tragedy.
11.15 Walston Goes Walkabout. Bolivia.
11.45 Seeds of Faith: The Sichuan Road.
12.00 News.
12.30 Shipping Forecast.
12.43 (LW) As World Service.
12.45 (FM) Close.

BBC RADIO 5 LIVE
6.05 Hot Pursuits.
6.30 The Breakfast Programme.
9.00 Alastair Stewart's Sunday.
12.00 Midday Edition.
12.15 The Big Byte.
1.04 Sunday Sport.
7.00 News Extra.
7.35 Back to the Future.
8.00 The Ultimate Preview.
10.05 Golf: The US PGA Championship.
11.00 Night Extra.
12.05 Nightcall.
2.00 Up All Night.

WORLD SERVICE
BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m) at these times BST:

6.00 News and features in German. 6.30 Composer of the Month. 7.00 News. 7.10 Letter from America. 7.30 Jazz For The Asking. 8.00 News. 8.15 Music As It Was. 8.30 From Our Own Correspondent. 8.50 Write On. 9.00 News. 9.09 Words of Faith. 9.15 The Greenfield Collection. 10.00 World News and Business Review. 10.15 Short Story: February's Tale. 10.30 Folk Routes. 10.45 Sports. 11.00 News; Science in Action. 11.30 BBC English. 11.45 News and Press Review in German. 12.00 Newsdesk. 12.30 The John Dunn Show. 1.00 News; Play of the Week: Night Mother. 2.00 Newshour. 3.00 News; The Sparks That Lit The Bonfire. 3.30 Anything Goes. 4.00 News. 4.15 BBC English. 4.30 News and features in German. 5.00 News. 5.15 BBC English. 6.00 World News and Business Review. 6.15 Health Matters. 6.30 News and features in German. 8.00 Best on Record. 8.30 Europe Today. 9.00 News. 9.09 Words of Faith. 9.15 Sportsworld. 9.30 Brain of Britain. 10.00 Newshour. 11.00 World News and Business Review. 11.15 Short Story: February's Tale. 11.30 Letter from America. 11.45 Sports. 12.00 Newsdesk. 12.30 The Sparks That Lit The Bonfire. 1.00 News. 1.15 Mind Matters. 1.30 In Praise of God. 2.00 News; With Great Pleasure. 2.45 Music As It Was. 3.00 Newsdesk. 3.30 Composer of the Month. 4.00 Newsdesk. 4.30 BBC English. 4.45 Fruhmagazin.

CHESS

Gata Kamsky won from the brink of defeat this week and caused yet another twist in the world championship saga. When Kamsky trailed 1½-3½ to Vishy Anand at Sanghi Nagar, in India, with only three games left, Anand's Indian backers were relaxed enough to pledge £300,000 to host next year's Fide semi-finals.

Then Kamsky, the 20-year-old US No 1 and a former Soviet prodigy, launched some daring openings, recovered to 4-4, took the lead in extra time speed chess then crushed his demoralised opponent (G Kamsky, White; V Anand, Black; 10th game 1994).

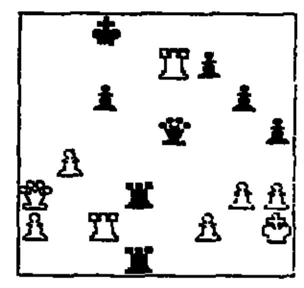
1 d4 Nf6 2 Nf3 c5 3 c3 g6 4 Bg5 Qb6?! Anand avoids Bg7 due to the match score, but Kamsky, with canny psychology, offers queen and knight swaps which, declined, give the Indian a dreadful position.

5 Qb3! Ne4 6 Bf4 Nc6 7 d5 Nd8 8 Nbd2 Nf6 9 e4 d6 10 Bb5+ Bd7 11 a4 Qc7 12 0-0 Bg7 13 e5! Opening up the king. Nh5 14 exd6 exd6 15 Rfe1+ Kf8 16 Bxd7 Qxd7 17 Qb5! Resigns. If Qxb5 18 Bxd6+ Kg8 19 axb5 Bf8 20 Re8 Kg7 21 Bc7 Ne6 22 Be5+ wins decisive material.

Fide now has its worst scenario, a monolithic semi-final of four ex-Soviets Karpov, Kamsky, Gelfand and Salov. The rival PCA semis at Linares, Spain next month will match Short v Kamsky and Adams v Anand, so if Anand wins the Indian sponsor will be tempted to ditch Fide and offer to host the PCA final.

If you backed contestants with names starting Ka in all world chess championship eliminators of the past 20 years you would now be heavily in profit, so perhaps the UK No 2 should change to Kadams.

No 1034



Burehall v Lundin, Stockholm 1960. Queens and rooks on an open board are tricky, and an international master got this wrong. What should Black play?

Solution, Page XIII

Leonard Barden

BRIDGE

We look to rubber bridge of good standard for today's hand:

	N ♠ Q 10 6 3 ♥ A K 6 5 2 ♦ 7 6 5 3 ♣ –	
W ♠ K 5 2 ♥ Q J 10 9 4 ♦ 8 2 ♣ 7 4 2		E ♠ J 8 ♥ 8 3 ♦ K J 10 9 ♣ K J 10 9 3
	S ♠ A 9 7 4 ♥ 7 ♦ A Q 4 ♣ A Q 8 6 5	

East dealt at a love score and South opened with one club. North replied with one heart and South re-bid one spade. North raised to four spades and South, with his powerful hand, jumped to six spades, which closed the auction.

West opened with the heart queen. South was slightly disappointed when he saw dummy but felt that, if the diamond finesse was right, a cross-ruff might land the contract.

Winning with the heart king, South led a diamond and finessed the queen, which held. Cashing ace of clubs and discarding a diamond from the table, he ruffed a club in dummy and crossed to his diamond ace, West completing a peter. Another club was ruffed on the table. The ace of hearts was cashed, declarer throwing his last diamond, and the heart two followed.

What was East to do? He ruffed with his eight, forcing South to over-ruff with the nine, and another club was ruffed in dummy, West throwing a heart. When a heart was returned, East ruffed with his knave of trumps, over-ruffed by the ace. South now led his last club, West ruffed with the spade two, and dummy over-ruffed with the queen. Now West held king and five of spades, a perfect tenace over South's seven and four.

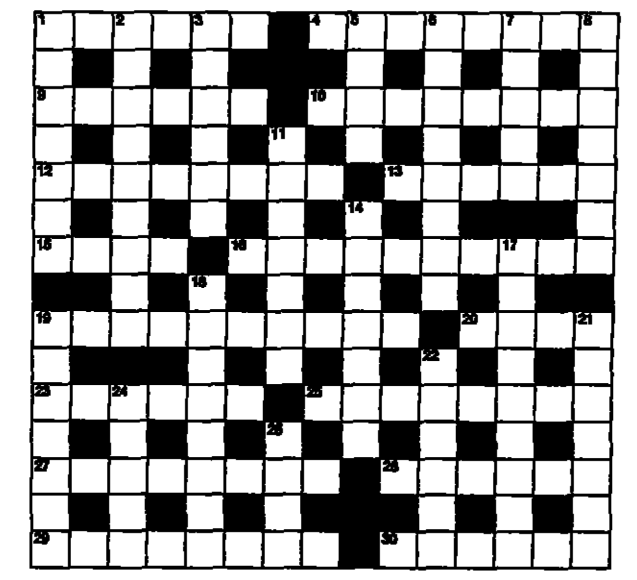
Full marks to East. Without his trump promotion, the slam would have been made.

E.P.C. Cotter

CROSSWORD

No. 8,531 Set by CINEPHILE

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday August 24, marked Crossword 8,531 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday August 27.



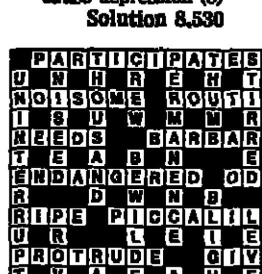
Name..........

Address..........

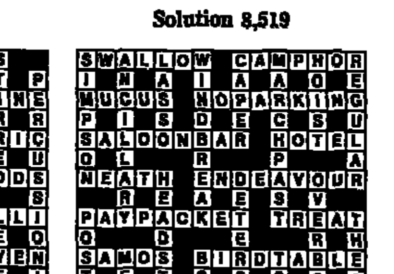
ACROSS
1 Foreign secretary finds the French a barrier (6)
4 Must initially, if cruel, be changed (8)
9 Tax taxonomy makes noise in projection (6)
10 Some ankylosis in old solver needs appreciation (5,3)
12 Trauma for residential area? There's not enough (8)
13 Red-faced American leader removed from state (6)
15 Clean from new, I perceive (4)
16 Proof – being irreverent about Queen Elizabeth the Fifth (10)
19 Inconsistent way to blow in all bedrooms? (3,3,4)
20 Male parliamentarian goes to pot (4)
23 Doctor in storm takes bet (6)
25 Severe test for Eric joining club? (8)
27 Page from Pravda arranged protection for African animal (8)
28 Prescribed course of love in the woodland (6)
29 Toy instruments, we hear, cause depression (8)
30 Scots nobleman has little time on isle (6)

DOWN
1 Poor horse observed to cut metal (7)
2 Stop-light on vehicle gets favourite VIP treatment (3,6)
3 Outside North America, a girl's name for madness (6)
5 Repeat of the chorus (4)
6 Meeting of clan dispersed in bay (8)
7 Lobby for solvers inside (5)
8 Place of pilgrimage makes us older (7)
11 Bear inside (7)
14 State translated from Irish county (7)
17 Bombastic part of speech, and vulgar, to enter on (9)
18 Sitting pretty, incorporated partner (2,6)
19 Rider (writer) is careworn (7)
21 Excuse before writing (7)
22 Science alternative to church? Burn! (6)
24 Mountain to mountain – a work of art (5)
26 Proper sort of rose? (4)

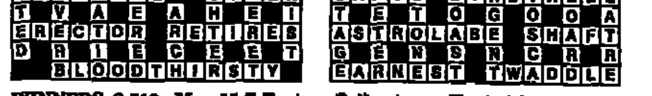
Solution 8,530



Solution 8,519



WINNERS 8,519: Mrs M.G.Foster, Folkestone, Kent; Mrs R. Birdy, London W13; G. Hollis, Hatfield, Herts; A.P. Kaczmarczuk, Nuneaton, Warwickshire; J. Phillips, Oakville, Ontario, Canada; Mr & Mrs J. Sanders, Harpenden, Herts.



As one chess player to another...

***Dominic Lawson** on the lesson that Jeremy Hanley has failed to grasp*

One could not help but be touched by the puzzlement of Jeremy Hanley as, last week, he gave his first interview as Conservative Party chairman. It was published the day before a Gallup opinion poll showed that the Labour Party had an unprecedented 33.3 per cent lead over the Conservatives.

While no one seems to believe that this result would pertain in a general election it is, nevertheless, chilling for the Conservatives to be presented with so graphic a premonition of their political annihilation.

Yet, as Hanley plaintively told the Sunday Telegraph, everything seems to be going swimmingly with the economy.

Inflation and interest rates are at levels not enjoyed since the early 1960s (when we had never had it so good, apparently). Unemployment is falling sharply. And last week, the Confederation of British Industry, perpetual moaners and complainers, reported that for the first time in a decade all of their 11 regions, from Scotland to the south-west, were increasingly optimistic about both output and new orders.

For Hanley, whom I know to be a chess player of iron logic, such an apparent divergence between facts and opinion is genuinely paining, and not just because his own seat is a bit marginal.

One of Hanley's colleagues, struggling to come up with an explanation, said it was because the electorate was "bored" with John Major and the Conservatives.

The implication was that the nationwide enthusiasm for Anthony Blair, the Labour leader, was merely a fashion, which had come, and would go, rather like skateboarding or bungee-jumping.

This may, indeed, be part of the reason, and one must concede that Major's appeal does not lie in the generation of excitement.

On the other hand, I have always thought that the British people do not want to be excited by their politicians.

They rather like the idea of boring competence, *à la* Stanley Baldwin. But the key word is competence.

And I would not be the first person to point out that the government's reputation for competence, so assiduously cultivated by "honest" John Major, was shattered by Britain's humiliating exit two years ago from the Exchange Rate Mechanism.

That traumatic event was the main reason why the British economy is now growing faster than those of its European partners. But everyone realises that it had been the government's sworn policy, on the political equivalent of stacks of bibles, never to take the cut-and-run exit from the ERM, even while a number of wise and experienced commentators had warned that such an outcome was not only inevitable but desirable.

There is some political injustice in Blair benefiting from this debacle. He and his wing of the Labour Party, "the modernisers", had uncritically stood four-square behind the government's ERM policy, and were as astonished as anyone by the eventual result.

Indeed, the only Labour MP of any stature who warned of the consequences, Bryan Gould, has sunk into political oblivion.

The government's big mistake was its brazen refusal to take any responsibility for the debacle, to pretend, quite shamelessly that what had happened was an accident that could not have been foreseen, and that its economic policies remained a seamless web of consistency, rather like one of Hanley's better games of chess.

It is true that politicians never apologise, and rarely explain, but the government on this occasion underestimated the public's capacity for outrage. Norman Lamont's singing in the bath and regretting nothing was charmingly insouciant, but contrition was the order of the day.

Alas, Hanley does not yet seem to have grasped this lesson. In his interview he seemed unable to express any genuine regret for the ERM fiasco, and indeed hinted strongly that this was an experiment we might want to take part in again.

As one chess player to another, I would implore Hanley to remember that it is better to admit one's errors during the game, rather than try to justify them after one has lost.

■ *Dominic Lawson is editor of The Spectator.*

A harp, a wreath and a sentence in Siberia

***Chrystia Freeland's** favourite aunt recounts how she survived a 'child's sentence' in Stalin's labour camps*

James Hill

My favourite great-aunt spent 10 years in Stalinist labour camps for two crimes: buying a funeral wreath and playing the harp at a dinner party.

The funeral wreath was purchased in 1944, when Oleksandra Blavatska, my Aunt Lesia, was 19 years old. She had pursued her childhood dream of becoming a businesswoman by enrolling in the newly-established Soviet Trade Institute. She had been studying for only a few months when Metropolitan Sheptytsky, head of the Ukrainian Catholic Church, died. He was revered, Lesia says, as "the holiest of holies" for his defiance of both the Nazis and the Soviets during the Second World War. Raised in a patriotic and activist Ukrainian household, Lesia's response was automatic: she called together her classmates and collected money for a wreath.

"We bought a beautiful wreath with red linden at the centre, as was the Ukrainian national custom," Lesia recalls. With what is almost a girlish giggle, my 69-year-old aunt explains why her funeral flowers were so provocative: "And on a black band draped across the wreath we wrote 'To the unforgettable defender of Ukrainian youth from the students of the Soviet Trade Institute.' The Bolsheviks – not known for their sense of humour – could never forgive me for that."

The day after the funeral, she was expelled from the institute and the midnight interrogations at KGB headquarters, which began for Lesia as soon as the Soviet army took over the western Ukrainian city of Lviv, intensified. But a dinner party a few months later was the last straw. When a delegation of Soviet Ukrainian writers came to Lviv they were entertained by Lesia's mother, the city's most accomplished hostess in the old days of Austro-Hungarian, and later Polish, rule. While Mrs Blavatska charmed the writers by chatting in French, her daughter, the only harpist in the city (the harp was a ploy to get Lesia into the conservatory after she had been expelled from the trade institute) provided a musical accompaniment.

A few weeks later, Lesia was arrested on her way to the conservatory and she began an education of a different sort. Over the next decade she progressed from KGB interrogation cells to a tour of Soviet labour camps.

Along the way, she gave birth to my second favourite aunt, Vira, "Faith", who spent her early childhood separated from her mother in a Soviet orphanage.

The only time Vira, now a professor of engineering, refers to her unorthodox upbringing is in laughing apology for her preference for trousers over skirts and lack of the culinary talent.

"I was raised by Soviet commandants, how could I be properly civilised?" she tells me to excuse the store-bought cakes served with tea – a true crime in a proper Lviv household, especially when the visitor is a relative from Canada.

Lesia, a vigorous lady who upholds the family name by plying me with home baking, is equally matter-of-fact in describing KGB interrogation tactics to me, the sheltered Canadian granddaughter of her cousin (my grandfather) who got away in 1939.

"The KGB cell had an open window and it was winter, so there was ice and snow on the floor. It was full of rats. It was exactly seven steps wide: I know because I paced back and forth all day and all night." After 18 days in the isolation cell, Lesia collapsed. "I was young and I loved to dance but I told myself that if I was ever again able to walk I would never dance. I've kept that promise."

Unconscious, Lesia was carried into a larger, crowded jail cell, where she spent two months, and then she was sentenced. "Because I was so young and they really couldn't find anything at all to accuse me of I was given what we called 'a child's sentence;'" just 10 years of hard labour and five years of exile in Siberia.

The journeys between camps were the worst part. "A hundred prisoners would be herded into locked cattle cars with a hole in the middle to use as a toilet. Every day we were given one slice of salted herring, a piece of bread and a bottle of water," Lesia says. "I couldn't bring myself to eat the herring and maybe that was what saved me."

Early in her sentence, when she was in a labour camp in the Baltic state of Estonia, Lesia was conned by more savvy inmates into selling part of her food ration in exchange for promised assistance to escape. "This was, of course, very stupid, because no one ever escaped Stalin's camps. But I was tricked and I sold them some of my food. My body began to decay and one day the work captain said he would no longer accept me, so I got even less food. Slowly, I began to die."

Saved by a sympathetic doctor in the prison infirmary, Lesia recovered and was sent to the labour camp in Mordova in northwestern Russia where she would serve most of her sentence. Vira, born in the Estonian prison, was initially kept together with other children in a camp adjacent to their mothers but when the children were 18 months old they were sent to an orphanage in Siberia.

"If the caretaker at the orphanage was very kind, once a year she would send me a letter about my daughter. Three times the prison wardens called me and asked me to give her up for adoption, but each time I refused and began a hunger strike. Eventually, they gave up," Lesia says.

While Vira grew up, her mother devoted herself to survival. "It was a very select camp: we had the prima ballerina of the Minsk ballet, Hitler's private secretary, a few Parisians and some Moscow girls who had married diplomats."

The diplomats' wives, Lesia remembers, "laughed at themselves. They used to say, 'we are here because we had too great a weakness for stockings and chocolate and so we married American men'."

"There's no doubt about it, though, it is hard to get out of a labour camp alive."

'I still have my mother's ring. I think I might be one of the only people who ever managed to hide something from Stalin's police'

Lesia preserved her body with a rapidly acquired public cunning – no more selling her food to other inmates – and her soul with small acts of private defiance. She proudly shows me the relic of one such gesture: a misshapen gold wedding band, her mother's, which Lesia hid from the prison wardens during a decade of body searches by wearing it under a dirt-encrusted bandage on one of her toes.

"For 10 years I didn't take that bandage off. It was so dirty and disgusting and rotten it made my skin crawl to look at it. But the guards couldn't bear to examine it too closely either, so I still have my mother's wedding ring. I think I might be one of the only people who ever managed to hide something from Stalin's police."

It is a struggle to reconcile this tough political prisoner, whose bald head and emaciated body caused Vira, reunited with her mother after a seven-year separation, to run away in terror, with my charming, very proper aunt, who prefers Vienna – "that is Europe, that is culture" she rhapsodises – to the sky-scrapers and consumer paradise of my native Edmonton, Alberta, proud home of the world's biggest shopping mall.

My cousin Lesyk, her grand-son, barges in to announce that the tea is getting cold and the tortes will dry out. "Don't be a Bolshevik," Lesia commands. "Wait until the lady has finished speaking."

With a guilty glance at my tattered jeans and bare feet, I realise that the woman in question is me. I also realise that the old-fashioned politesse on which my aunt Lesia so sternly insists is part of the defiance which brought her out of the labour camps alive.

Much of Lviv still wears the grey, hang-dog expression which characterised all Soviet cities, but in her crammed flat, Lesia has preserved a bygone corner of central Europe.

One last question: how did you survive?

"I'm not sure. We former political prisoners often tell each other that the experience has warped us all somehow. That's probably true, but I think that I still appear to be quite normal. Maybe it was because my mother was such a strong disciplinarian and always insisted on good manners. Even in the labour camps, I never learned to swear, although many did; I never learned to smoke, although many did; and, unlike the more cosmopolitan girls from the big cities, I never became a lesbian."

I think guiltily of the cigarettes hidden in the bottom of my handbag and vow to wear a dress the next time I visit. Perhaps I should even learn how to bake.

Truth of the Matter

Nice man – but he had to go

***Hugh Dickinson** on why the vicar who only believed in 'God' was sacked*

At one time we would have put the Rev Anthony Freeman, vicar of St Mark's Church, Staplefield, in West Sussex, on the rack and then burned him to death unless he recanted.

The formidable Dr Keating, of Eton college, had his methods too. A boy who admitted he was having doubts about the Holy Trinity was told: "Boy, you will believe in the Holy Trinity by 3 o'clock this afternoon or I will beat you until you do."

In these milder times we just stop paying those accounted heretical. But is it the monstrous attack on freedom of speech it has been made out to be?

What else can you do with an amiable parson who pops up in his pulpit one Sunday and says to the faithful: "Sorry, folks, um, I don't quite know how to put this, but that He/She/It Out There to Whom we've been beaming our prayers all these centuries, well, um, He? She? It? isn't out there after all.

"It is just empty space. The only possible recipient of all that love and adoration and all those fervid prayers is right here – yes, um, in our own tummies."

So he must go. His bishop has said so. But he is a lovely vicar. Paradigm and paragon of Christian benevolence. Not a peep of criticism of Freeman or his ministry has crept into the press, which generally salivates over dismembered priests.

It is a crying shame. And it is not as if the Church is awash with cuddly and innocent vicars. Cruel and tyrannical bishop, intolerant prelate come forth!

Enter from the right, the Right (very Right) Reverend Eric Kemp, Bishop of Chichester, now nearly 80, long past the age when more complacent bishops have retired. He is the prime and unpopular mover (or remover) in this small but intriguing ecclesiastical drama which has made headline news and prime-time TV. Kemp has decided, as he is legally entitled to, that he will not have parsons, however amiable, who happen not to believe in God.

But here the plot thickens. This thoroughly non-turbulent priest is not an atheist – so he claims. He does believe in "God" – the quotes are essential if clarity is to be retained. But he has come to the conclusion, first advocated by Don Cupitt, a fellow of a Cambridge College, that by "God" we are not referring to a supernatural transcendent Being other than ourselves, but rather to all those human aspirations, ideals and moral values which are in some sense "higher" than ourselves.

"God" is a human construct. On to the blank screen of the universe we project our own image of beauty, truth and goodness, the noblest image of ourselves we can conceive. To speak of that image as an objective personal Agency or autonomous Being is, and has been, a useful expedient in the early ages of religion. But a more sophisticated age now realises that to believe It really is "out there", independently of the projection of the human mind, is to treat a metaphor as literal fact.

If I say "my love is a red rose", I will not take kindly to friends who give me a greenfly spray as a wedding present. On this view "God" is a compendious metaphor for all the religious instincts of human beings. So Freeman still believes in "God" but not in God.

Bishop Kemp will have none of it. And, in spite of his chauvinist intransigence over the ordination of women, I fear he is right in this case. Don Cupitt and Freeman and the "Sea of Faith" group have (in my view) sold the pass, chucked out the baby with the bathwater and severed the spinal cord of Christian faith. Those innocent little quotation marks are profoundly important.

Their basic proposition is attractive to any thoughtful person trying to make rational sense of religious belief. There is something hauntingly incomprehensible about an invisible, intangible and ultimately unknowable Transcendent Being. The paradoxes of human discourse about God present human intelligence with almost intolerable perplexity.

St Augustine saw that 1,500 years ago. There can be no literal discourse about God, only pointers towards Him. (Or Her or It.) Theologians use analogue or metaphor, the mystics poetry and visionary language, knowing perfectly well that it is not, and cannot be, literal.

But, unlike Freeman, traditional theology believes that these metaphors are not mistakes but essential for any discourse about a Divine Being who in his own inner essence is not part of the space-time continuum we inhabit.

'If a meteorite hit earth and reduced us to fizzing gas "God" would cease to exist... The quotation marks are profoundly important'

So, if a meteorite were to hit this planet and reduce it and us to fizzing gas "God" would cease to exist; his light would go out with the destruction of the human projector. But, on the other hand, if the whole cosmos got folded up into a black hole and vanished up its own fundament, God would still be God.

Why is the issue so important – important enough to sack a kind and popular priest? Because the heart of authentic religious experience is at stake. The central religious experience is an encounter with a Divine Being who is Other.

It is possible to enter into a relationship with that Other which has two centres. This Other is experienced by the human ego as One in whom reside transcendent Beauty and Truth and the mysterious quality of the Holy. But also the Other is another "I" to whom I can say "Thou" and who can address me from his own autonomous personal Being with a responding "thou".

In the course of the transactions between these two personal foci a relationship of intense exchange begins to take place. The strange visionary poetry of the mystics is the only barely adequate language which begins to describe this spiritual experience. But essential to it is this quality of personal love and trust – a sense that there is One who makes a promise to the human spirit.

Of all the issues at stake in this drama that seems to me to be one which is of key significance. God is a God who makes promises to me and keeps them. Nothing located inside me or inside the human community can serve that purpose. A metaphor cannot make a promise.

But a lot of other orthodox Christian beliefs get scrubbed as well. Creation, Redemption, Incarnation, Atonement, Resurrection and Eternal Life get the chop. No institution committed to teaching and upholding those doctrines can continue to employ a teacher who denies them all, or declares them to be no more than significant fairy tales.

Now it is quite possible that Freeman is right and the tradition of catholic Christianity is wrong. But he really should not feel aggrieved if the church which is committed to those beliefs decides it can no longer employ him in order to undermine its basic doctrines. The fact that a lot of his congregation agree with him does not make it any better; it just proves he is a charming and persuasive chap.

Underlying this rather sad story is a much deeper issue, of which Freeman and his friends may be a symptom. There is no doubt that the formulations of traditional Christian Doctrine do need radical restructuring. The New Age cults are speaking to a widespread spiritual hunger which is not being addressed by mainstream catholic or evangelical Christianity. They emphasise the "god within", the divine in nature, the earth mother, the organic continuum from inanimate rocks to the highest spiritual being. They see institutional Christianity as the enemy of that new mystical awareness.

The restructuring of Christian doctrine will have to respond to that hunger. But it must also preserve a philosophical and intellectual rigour which Freeman and the New Age cults both lack.

■ *Hugh Dickinson is Dean of Salisbury.*

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